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**THE PROCESS OF CHANGE IN A PUBLIC-PRIVATE  
PARTNERSHIP: WORK AND CULTURE**

**A CASE STUDY OF DURHAM NATIONAL SAVINGS  
AND INVESTMENTS**

**BY: ANDREW JOHN SMITH**

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**PhD Thesis**

**Durham University**

**Department of Sociology**

**2006**



**- 5 FEB 2007**

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**The Process of Change in a Public-Private Partnership:**  
**Work and Culture**  
**A Case Study of Durham National Savings and Investments**  
**By: Andrew Smith**

**Thesis Abstract**

The thesis investigates the Public-Private Partnership (PPP) of National Savings and Investments, a Civil Service department. Initially a Conservative policy, the PPP was reformulated by 'New' Labour whereby a 'partnership' between the public and private sectors is the favoured method of modernising public services. The study seeks to investigate the compatibility of a 'partnership' between two sectors which are fundamentally different, whereby a private sector 'partner' is attempting to make a profit out of a non-profit public sector financial institution. The process of organisational culture change is explored, as prior to the PPP a plethora of government directives were introduced at National Savings involving commercialisation and peripheral privatisation. The thesis attempts to understand the impact such initiatives have had on the lives of workers on the shop floor. Organised resistance from the trade unions and their members to these governmental directives are further examined. The research strategy involves semi-structured interviews with trade union officials and oral history interviews with workers – although management refused to participate in the research – together with various documentary sources. The thesis argues that the culmination of these changes has created a more pressurised and uncertain working environment, and those on shop floor who have little job autonomy and control have borne the brunt of much of this intensification. The PPP marked the most profound changes with the end of the long-accepted 'job for life', as the creation of a multi-tier workforce, together with the insourcing, outsourcing and offshoring of work have left workers in precarious positions of employment. Yet there has been both formal and informal resistance to many of these directives, as organisational culture change is a complex and continually negotiated process, rather than smooth and unproblematic.

**List of Abbreviations**

AA – Administrative Assistant  
ACAS - Advisory Conciliation and Arbitration Service  
AO – Administrative Officer  
ATM – Automatic Teller Machine  
BEC – Branch Executive Committee  
BPR - Business Process Re-engineering  
CBE - Commander of the (Order of the) British Empire  
CCB – Certificate Correspondence Branch  
CCT – Compulsory Competitive Tendering  
CPSA – Civil and Public Services Association  
DCB – Death Claims Branch  
DLR - Durham Land Registry  
DMU – Document Management Unit  
DNS - Durham National Savings  
DNS&I - Durham National Savings and Investments  
EDS – Electronic Data Systems  
EO – Executive Officer  
FMI – Financial Management Initiative  
GEC - Group Executive Committee  
GNS&I - Glasgow National Savings and Investments  
HEO – Higher Executive Officer  
IND – Immigration and Nationality Directorate  
ISA - Individual Savings Account  
IT - Information Technology  
KPI - Key Performance Indicator  
MoD – Ministry of Defence  
MOT – Ministry of Transport  
NAO - National Audit Office  
NEC - National Executive Committee  
NHS – National Health Service  
NPM - New Public Management  
NS - National Savings

NS&I - National Savings and Investments  
NUCPS - National Union of Civil and Public Servants  
OJEC - Office Journal of the European Community  
OVA - Open Vacancy Advertising  
PCS - Public and Commercial Services union  
PES - Public Expenditure Survey  
PFI – Private Finance Initiative  
PPP - Public-Private Partnership  
PRP - Performance-Related Pay  
PSBR – Public Sector Borrowing Requirement  
PTC - Public (Service) Tax and Commerce Union  
SASC – [Siemens] Shared Accountancy Services Centre  
SBS - Siemens Business Services  
SEO – Senior Executive Officer  
Siemens AG – Siemens Aktien Gesellschaft  
TPB – Third Party Business  
TUPE – Transfer of Undertaking (Protection of Employment) Regulations  
UKPS – United Kingdom Passport Service  
VOSA – Vehicle Operations Services Agency  
VR - Voluntary Redundancy

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This thesis is dedicated to my Mam and Dad, for their constant support and encouragement.

And also, to the memory of Joe Strummer, the former lead vocalist and rhythm guitarist of The Clash. The initial inspiration behind it all.



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**Declaration**

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## **Chapter One – Introduction and Methodology**

### **Introduction**

On the 1<sup>st</sup> of April 1999 National Savings became a Public-Private Partnership (PPP), at the time this was the largest ever outsourcing of Civil Service work to the private sector. Siemens Business Services (SBS), a subdivision of Siemens AG (Aktien Gesellschaft), the multi-national corporation, were awarded the contract and will be paid £1 billion in instalments over a 10 year period, with a possible option to extend the contract to 15 years. Under this 'partnership' agreement SBS must deliver the service and provide new technology in order to modernise operations to offer more customer choice, thereby enhancing levels of service. Whilst 120 employees remain civil servants at National Savings' London headquarters in control of business policy, product design and pricing; the other 4, 100 civil servants had their employment transferred over to SBS. Although the PPP was the most significant change initiative introduced at National Savings, it must be seen in the context of a process of change as a plethora of initiatives have been introduced to transform the organisation.

National Savings (NS) was established as a Civil Service department in 1969 and the Millburngate House complex, which houses Durham National Savings (DNS), was officially opened in 1970, as the department was despatched to new offices in Durham, Glasgow and Blackpool respectively. However, the organisation has a much longer history and was founded in 1861 under its original name of the Post Office Savings Bank, with Savings Certificates initially issued as far back as World War One and Premium Bonds first introduced in 1956 (NS&I, 2004). National Savings is a public sector organisation, which operates in the financial services market. It is used by the government as one method of financing the National Debt, by offering a range of savings and investment packages to the general public (NS&I, 2002). All National Savings products are guaranteed by the Treasury and provide the Exchequer with a means of borrowing off the small saver to fund public spending (NS&I, 2004). However, National Savings is not a typical bank, it is a public service, and depending upon government finances, the organisation does not always want to attract new business. This is an important distinction between National Savings and commercial banks, particularly now that the service delivery has been outsourced to a private company. The organisation was given a new



corporate identity and renamed National Savings and Investments (NS&I) in February 2002, in line with its modernisation programme (NAO, 2003: 10. NS&I, 2003). NS&I still issue Savings Certificates and Premium Bonds, together with Individual Savings Accounts (ISAs), Children's Bonus Bonds, Pensioners Guaranteed Income Bonds and a host of related products, resulting in the organisation having 30 million customers, more than any other retail organisation in Britain (NAO, 2003: 9). Over £62 billion is invested in National Savings (NAO, 2003: 35), and as a public financial institution it funds around 20% of net government debt (NAO, 2003: 7).

In the thesis I will be critically examining a range of initiatives which, prior to PPP, were introduced to change the culture, structure, nature and ethos of National Savings, and the Civil Service more generally. Such policies must be situated within wider debates of about bureaucracy being seen as an outdated organisational form, and the need for the public sector to modernise and adopt the 'cutting edge' methods of the private sector. This resulted in a process of commercialisation and the introduction of elements of privatisation into the Civil Service from the Thatcher Conservative governments onwards. However, such policies were not without their critics who consistently argued that such methods were entirely inappropriate to the public sector, with its own distinctive ethos. This thesis aims to understand the reality of working life for those on the actual shop floor at Durham National Savings and Investments (DNS&I), and to answer the question - to what extent have these culture change initiatives impacted upon working lives?

Whilst organisational change must be seen as a social process, it was the implementation of the PPP initiative which was the single most important act in transforming the organisational culture at National Savings. The investigation of the impact of the Public-Private Partnership at DNS&I is the main focus of the thesis. Under the PPP hybrid, National Savings' entire operational service delivery was outsourced to SBS, which takes the part-privatisation of a public institution to its ultimate limit and in doing so raises a whole set of fresh questions and dilemmas. Both the Public-Private Partnership programme and the Private Finance Initiative (PFI) were originally policies of the Conservative government of John Major, and were later reformulated by 'New' Labour with a renewed emphasis on 'partnership' to become one of the foundations of 'Third Way' politics. Proponents argue that the prime advantages of PPP and PFI are that private sector expertise and finance can be

used in 'partnership' with the public sector to deliver modern public services. However, both of the main political parties and advocates of the PPP philosophy completely fail to take account of the different motives, aims, goals and interests of the public and private sectors. The fundamental question of the research is how can both sectors be married in a supposed 'partnership' when the private sector 'partner' is attempting to make a profit out of National Savings, a non-profit public institution? Moreover, whilst an element of profitability is written into the original PPP contract, SBS can attempt to make further profits by reducing the headcount and courting additional Third Party Business. Such conflicts over profitability versus the public sector ethos arise throughout the research. I shall investigate how the introduction of the PPP initiative affects those on the front line at Durham National Savings, to attempt to understand how they perceive and make sense of such fundamental changes in their daily working lives.

Regarding my personal interest in the research topic, this must be seen in the context of my own employment history and academic interests. I worked in a similar Civil Service department for several years and experienced many of the same organisational changes that have taken place at National Savings. Upon leaving Sixth Form education after attaining a couple of mediocre 'A' levels, I was unemployed for a short period and spent three months at the 'Job Club' in Durham Job Centre. At this stage in my life I was rather uncertain as to what occupational path to take, and in the milieu of a depressed regional economy which was struggling to come to terms with deindustrialisation, my options were limited. In the summer of 1988 two of Durham City's major employers, being two of its Civil Service departments – National Savings and the Land Registry – were conducting major recruitment drives. I can vividly remember seeing people queuing outside Durham Job Centre and all of the way up the road waiting to collect application forms for the administrative jobs advertised. These were to be two of the last major recruitment exercises carried out by each department. After successfully completing an interview at Durham Land Registry (DLR), I started work as an Administrative Officer in September 1988. At that time, these Civil Service jobs were much sought after as they offered security, status and a relatively good salary. Such employment was commonly acknowledged to be a 'job for life'; indeed on my first working day an Executive Officer, who had worked in the office for over 20 years, proudly proclaimed that DLR offered stable lifetime employment.

However, as I never intentionally set out to become a civil servant I felt no real occupational identity and regarded working at the Land Registry as simply 'a job', rather than a career. I soon found bureaucratic administrative work to be unsatisfying, unchallenging and uninteresting. Moreover, as the property market collapsed at the turn of the 1990s, so did any opportunities for progression in the Land Registry and the department was stagnant for over a decade. Yet, I was to find more fulfilment and satisfaction when I became a local trade union representative in 1990, and then Branch Treasurer the following year. I attended two national union conferences as an observer, although I was never actively involved in any union factions. I became more involved with the trade union as I was interested in the changes that were taking place in the department including re-grading exercises, the introduction of Performance-Related Pay and the contracting out of services to the private sector. Indeed it was my growing dissatisfaction and disillusionment with such initiatives that led to me taking an 'A' level Sociology course at the local college, after much encouragement from my father. I then took a three year career-break in September 1995 to study full-time for a degree in Sociology at Sunderland University. It was here that I became increasingly interested in the Sociology of Work and the commercialisation of the public sector. I returned to DLR in 1998 on a part-time basis whilst studying for a Masters Degree in Policy Studies, and my dissertation focused on the commercialisation and application of lean production working methods to the Land Registry. Hence, it seemed highly appropriate that for a doctorate I research the Public-Private Partnership of a similar Civil Service department less than one mile from my original place of work.

I have kept in contact with several former colleagues from DLR who all claim that the organisation operates in a much more commercial direction than ever before. Yet most interestingly, they all continue to regard it as a 'job for life' – which is clearly evident in the very small number of workers who leave the organisation – and many now openly talk of having less than 30 years to go until retirement.

### **Methodology**

In the following section I will discuss the natural history of the research process and explain how it unfolds and takes shape over time. This research investigating the impact of the Public-Private Partnership at Durham National Savings is a specific

case study. A case study is a research strategy employed to examine in detail organisational processes to develop fuller understandings of change (Hartley, 2004. Silverman, 2005: ch. 9). Many of the most profound changes at National Savings were occurring whilst I was carrying out my research. A qualitative methodology was employed including semi-structured interviews, oral history interviews and documentary analysis to explore the experiences, perspectives and opinions of those working at National Savings. Qualitative methods have the flexibility to develop deeper understandings of cultures (Alasuutari, 1996: ch. 12. Geertz, 2002). Whilst it is commonly inferred that qualitative research produces specific data, a number of social researchers have argued that generalisations can be drawn from case study evidence (Bryman, 1995: ch. 6. Alasuutari, 1996: ch. 12. Hartley, 2004). Comparisons and generalisations can be made between studies relating to theoretical and analytical issues (Bryman, 1995: ch. 6. Hartley, 2004). Whilst Alasuutari agrees, he prefers to use the term extrapolation rather than generalisation in qualitative research, when relating studies to their wider meanings (1996: ch. 12). I will relate my findings at National Savings to broader issues, including changes across the Civil Service, 'Third Way' politics and the changing nature of trade unionism. Silverman emphasises the importance of research diaries in noting important events, developing one's thinking and spelling out one's reasoning (2005: ch. 16). Throughout my research at Durham National Savings I kept a detailed research diary documenting significant events and cataloguing the problems that I encountered – of which there were many – and recording the key decisions which were taken to overcome such issues. I will now discuss the research process as it emerged and developed.

I initially attempted to gain research access at Durham National Savings through SBS management. In May 2001 I wrote to the Personnel Manager seeking permission to research the Public-Private Partnership process at DNS, as this was a major government policy being implemented at a crucial time. Having received no acknowledgement from SBS management after one month, I sent a reminder letter in June. I received a reply from SBS management in July stating that whilst they receive many requests regarding research at DNS, they could neither spare the time nor the resources to assist me as they were busy restructuring the organisation. They went on to state that if I sent a small number of specific questions they would then consider replying. A set of questions were promptly despatched, but again no response was received. By the time I had sent another reminder to SBS management,

I had already started negotiating access with the trade union and conducted interviews with key union representatives. I did inform SBS management of these developments in the hope that it would encourage them to participate in the research, but I was to receive no further correspondence from them. I do realise that SBS's unwillingness to take part in the research is a limitation, as I do not have first hand accounts of their vision of organisational culture change, strategies or profit predictions. This also hindered my access to official statistics, such as, the number of staff employed throughout the organisation, those employed by private sector employment agencies and redundancy figures. However, SBS were presented with several opportunities to put forward their case.

As mentioned, I was able to attain research access at Durham National Savings through the independent trade union. Whilst encountering research access difficulties with SBS management, I decided to try another avenue of enquiry. In July 2001 I made contact with my former trade union colleagues at Durham Land Registry, Julie Kelly, the Branch Chair, and Tony Colwell, the full-time Group Executive Officer, who were able to give me the contact details of the branch officials at DNS. Other researchers have noted how existing social networks can be useful in gaining access to organisations (Bryman, 1995: ch. 5. Hartley, 2004). As the vast majority of civil servants are now represented by the one trade union, the Public and Commercial Services union (PCS), local branch officials are often in regular contact with one another and frequently attend conferences, workshops and meetings. I wrote to the branch officials outlining my plan to research the PPP at National Savings, explaining that SBS management were reluctant to participate but that I had received their details from the union reps at Durham Land Registry, in the hope that they could help. A meeting was quickly arranged, the branch reps stated that I had been the only researcher to contact the union about the PPP of National Savings and they were keen to participate. I explained the purposes of my research, that it was original and independent, and that I would present a report of my findings to the National Savings Group of the PCS union. It is commonplace for researchers to offer a report in exchange for access to organisations (Bryman, 2001: 295. Robson, 2002: ch. 15). I think the fact that I was once a civil servant and a union representative, and friends with their PCS comrades at the Land Registry, helped ease my research access and gain the trust of the branch officials. Hence, the union representatives at Durham National Savings became my research gatekeepers. Social



researchers rely on their gatekeepers to gain access to interviewees, and this access is ongoing (Bryman, 2001: 295. Hartley, 2004).

My research at Durham National Savings was conducted over two separate phases. The first period was from August 2001 to April 2002, where the bulk of the interviews with the trade union officials took place. During phase two of the research, the vast majority of the worker interviews at DNS were carried out, between June 2003 and June 2004.

From the contacts formed with my original gatekeepers, I was able to interview a range of union representatives, all of whom were long serving and had a wealth of experience. All of the interviews with the trade union officials were semi-structured and tape recorded, with additional field notes taken where I would note down reflections and observations from each interview. These interviews focused on specific policies which were introduced to both change the workplace culture and working practices, and addressed the stance of the union towards such initiatives. By employing a semi-structured interviewing technique I was able to enjoy the flexibility of being able to alter and add questions when necessary to explore fresh avenues of enquiry that arose in the narrative (Bryman, 2001: ch. 15. Byrne, 2004). Advocates of this method argue that it enhances the level of depth and understanding, resulting in the unearthing of rich and illuminating data (Robson, 2002: ch. 9. Byrne, 2004). I have changed the names and altered the biographies to make all of the trade union representatives anonymous; I feel that this was necessary due to the increasingly acrimonious industrial relations at National Savings post-PPP. The ethical importance of protecting research participants is widely acknowledged (Bryman, 2001: ch. 24. Robson, 2002: 65 – 76. Ali and Kelly, 2004). In total 5 senior trade union officials from National Savings were interviewed. The full details of the reps interviewed, the number and dates of the interviews conducted, and their length of active involvement in the union are set out in table 1.1 below.

*Table 1.1. Details of the trade union officials interviewed.*

<i>Name</i>	<i>Current position</i>	<i>Length of active involvement</i>	<i>Date(s) interviewed</i>
Steve	Senior union representative	15 years	August 2001 February 2002
Tracy	Senior union representative	10 years	November 2001 December 2001
Paul	Senior union representative	12 years	November 2001 September 2003 October 2003
Chris	Senior union representative	15 years	January 2002 February 2002 August 2003
Jim	Senior union representative	15 years	March 2002

Whilst my access to the union officials at National Savings was relatively smooth, it was hampered by several interview postponements due to a number of key issues that the union reps had to urgently deal with. This is indicative of the continuous changes introduced by SBS management, and planned research interviews were delayed due to the proposed further outsourcings of work to other private sector contractors, discussions over redundancy programmes, personal cases and pay negotiations.

As I was in regular contact with my gatekeepers at Durham National Savings via e-mail, telephone and correspondence, a good working relationship soon developed. All of the union representatives were very helpful; I would often bump into some of them in town and chat about the organisational changes taking place and the progress of my research, together with more everyday matters such as football, music and politics.

In February 2002 I was invited by the union officials at National Savings to attend the PCS Commercial Sector Forum for two days at the union's headquarters in

London. At this meeting, delegates from union branches throughout the Commercial Sector were to come together to share common experiences and ideas, in order to formulate strategies and policies. This was an opportunity for me to meet other delegates, observe the debates and conduct further research interviews. Also present as observers at this gathering were managers from private sector companies whose employees were PCS union members. When mixing with the union delegates, some expressed concern at private sector managers being invited to attend a trade union conference. Likewise, I observed displeasure from managers to union opposition to two-tier workforces and individual contracts of employment.

Furthermore, through my gatekeepers I was given access to numerous trade union documentary sources including Branch Annual Reports and group circulars which were issued to all union members at National Savings. These sources, together with the union's national website, were valuable as they chronologically documented the evolving changes at National Savings and outlined management's objectives and the union's responses. The information contained within documentary sources and archived material can be particularly useful to researchers in attempting to understand organisational change (Bryman, 1995: ch. 7. Gidley, 2004).

Another documentary source which was extremely useful during my research was the National Audit Office Report of 2003 *PPP in Practice. National Savings and Investments' Deal with Siemens Business Services, Four Years On. Report by the Comptroller and Auditor General*. The National Audit Office (NAO) Report is official and independent; it is also available to the public and presents in-depth information which I would not have had access to otherwise. The report details the actual PPP bidding process, stating why SBS were awarded the contract and exactly what the modernisation of National Savings involves. The report goes on to discuss the difficulties faced by SBS on this deal and the likelihood of the company making a profitable return. This information is particularly valuable as both the union and staff were not privy to such detailed confidential information, and whilst I uncovered anecdotal evidence and union circulars discussed the problems encountered by SBS, senior union officials told me that they could not disclose information on SBS's profits even if they knew.

During phase two of the research schedule a different strategy was used when interviewing workers at Durham National Savings, being that of oral history. The

aim was that with the help of my gatekeepers and contacts I would be able interview workers who were also PCS union members. As trade union membership is phenomenally high throughout the organisation and stands at 90% at Durham National Savings, it was believed that generating a sample of workers to interview would be relatively straight forward. However, this proved to be much more difficult than originally anticipated and I was plagued with problems along the way, which will be fully documented later in this section.

The advantages of using the life/ oral history research method are that by asking open-ended questions workers have the freedom to tell their story, offering a greater appreciation of the realities of their working lives. Advocates of the life/ oral history approach argue that this develops the narrative in a more qualitative way and is unique as the voices of the ordinary members of society are particularly pertinent, but all too often ignored (Portelli, 1997 and 2001. Miller, 2000). Therefore, it was essential to interview those on the shop floor at Durham National Savings to understand their accounts, experiences and perceptions of workplace culture changes. This depth of analysis, therefore, goes beyond the espoused culture, to attempt to understand the changing cultures within the organisation. I will go on to argue that National Savings, in common with the majority of complex organisations, is a multicultural department and such cultures are dynamic and fluid, rather than static and monolithic; such notions will be discussed in more theoretical depth in chapter two.

Access was continually negotiated with gatekeepers throughout the research process, and via the union reps I had initially planned to begin phase two of my research in June 2003 with the aim of generating a sample of workers to interview. The plan was that I would be able to interview workers during their lunch breaks or at the end of the working day in one of the union rooms on site. There was a union e-circular sent to all PCS members at Durham National Savings informing them of my research and requesting volunteers. However, I did not get to view this electronic circular, which also contained other union news items, and after a lengthy wait there were unfortunately no takers. In the meantime, I did have some limited success with snowball sampling. This is where the researcher asks established contacts if they know of friends or colleagues who would be prepared to be interviewed (Byrne, 2004). However, this method of sampling is unlikely to be representative of the population being studied (Bryman, 2001: ch. 4). I did manage

to obtain some worker interviews, yet all too often with snowball sampling I frustratingly hit a dead end. Furthermore, several interviews had to be delayed due to a combination of sick leave, vacations and work commitments. Indeed one particular interview was postponed on several occasions as this interviewee often had to work at other National Savings offices, and also her grandson was in hospital for a short time, but fortunately quickly made a full recovery. The union officials felt that the main reason why I was encountering difficulties in obtaining a sample of worker interviewees was that due to external commitments and workplace pressures, staff were not keen to sacrifice their own free time. This must be seen in the context that Durham National Savings is an ageing workforce and, together with working arduous eight hour days, many workers have families with young children to care for. Moreover, one union rep believed that another difficulty I faced was that “people think that they are letting themselves in for more than they actually are”; meaning that workers were under the mistaken impression that they would have to endure a particularly formal, lengthy and complex interrogation session. I also think that the common local perception of Durham University worked against me, as workers thought they would be interviewed by a middle class academic who they would not be able to relate to. Yet in reality the opposite was the case, all of the interviews were very informal and open, and as I am a local working class mature student who has worked in a similar environment, those workers interviewed readily identified with me.

A further complication was that the union officials were all extremely busy with their own work commitments, together with domestic responsibilities. Yet to their enormous credit, the union reps always went out of their way to be as helpful as possible.

By October I was becoming increasingly frustrated with the chequered results of snowball sampling. I asked the union reps if I could send them an e-mail which they could then forward on to union members outlining my research and emphasising the need to speak to workers on the shop floor. The officials said that this would be a problem due to increasingly sour union-management relations at Durham National Savings. The reps explained that they had recently been “bollocked” off senior SBS managers on site for comments made in a trade union e-circular to members, where the PCS had criticised plans by the far-right British National Party to stand candidates in a local election. Apparently management had not been best pleased as

they felt that this was an external issue and not specifically work-related. Therefore, the reps stated that they were not in a position to forward my e-mail to union members in such a hostile working environment as they had already been severely reprimanded for “inappropriate use of the company network.”

This turn of events presented me with a major research headache. I decided to contact the PCS officials at Glasgow National Savings and Investments (GNS&I), to see if they could assist in helping me obtain a sample of shop floor workers to interview at Glasgow. The union officials informed me that previously, under the Civil Service, the union had been granted facility time for their own researchers to conduct focus groups with the membership. The union reps contacted local SBS management requesting facility time so that I could interview shop floor union members on site. Within a matter of days the union reps got back to me stating that SBS management had unfortunately turned down the union’s request. The reps added that they could not envisage many workers at GNS&I giving up their own time to be interviewed, thus, I would face the same problems I had experienced at the Durham site.

This was undoubtedly the most frustrating point in the entire research process. It meant yet again chasing up those people I had already interviewed in the hope that I could generate a few more interviewees. I did not particularly enjoy having to be so forward, and while my contacts were always friendly and pleasant, this method was not particularly fruitful.

Thus, different lines of enquiry were pursued and I contacted my former union colleagues at DLR to ask if they knew of any workers at Durham National Savings who would be prepared to give up an hour of their time to be interviewed. Julie Kelly mentioned my research during the following Branch Executive Committee meeting, and I did get to interview one former employee from Durham National Savings. I also attended a PCS rally in Newcastle with Kevin Kelly, the Branch Secretary at Durham Land Registry, who was the guest speaker. I handed out over 60 flyers detailing my research and seeking volunteers, but sadly received no positive responses. I asked colleagues at Northumbria University and my seminar students if they knew of any National Savings workers who would be prepared to be interviewed, but yet again drew a blank. I also asked friends and relatives if they could help, a few knew of ex-workers from Durham National Savings, but they had left the organisation long ago, prior to commercialisation. One friend did put me in

contact with a former Durham National Savings worker who had recently left the organisation after PPP, who was keen to be interviewed.

Due to the catalogue of difficulties I encountered in obtaining worker interviewees, I decided to re-interview some of the union reps to ask about their frontline work experiences at Durham National Savings. This reflects the multicultural nature of complex organisations, and whilst one might automatically assume that such accounts would be one-sided and biased, this actually proved to be very interesting and revealed the many identities and contradictions of everyday life. Interestingly, there were different responses to some initiatives reflecting the multiple identities, changing opinions and differing experiences on the actual shop floor; and one interviewee did openly acknowledge this in talking of metaphorically wearing “union hats” and “worker hats”. Moreover, interviewees did not always adhere to traditional trade union principles and some of the reps interviewed took SBS up on the Siemens Share Scheme offer; although one interviewee did admit to this being a contradictory position and confessed to feeling like a “phoney socialist”.

I eventually conducted 10 interviews with workers at Durham National Savings, including 3 with workers who had recently left the organisation after the PPP through ‘voluntary’ redundancy. As Durham National Savings has a long-established workforce, the length of service ranged from a minimum of 15 years to a maximum of 25 years. The interviews covered a range of grades including administrative workers, specialist grades and managers, and some were interviewed more than once. Full details of the workers interviewed, including current grades, length of service and interview dates are detailed in table 1.2 below.

*Table 1.2. Details of the workers interviewed from DNS.*

<i>Name</i>	<i>Current grade</i>	<i>Length of service</i>	<i>Date(s) interviewed</i>
Angela	Administrative worker	20 years (left on redundancy)	March 2002
David	Manager	20 years	April 2002
Kevin	Specialist	24 years	July 2003 August 2003
Julie	Administrative worker	25 years	July 2003 August 2003
Colin	Specialist	24 years	August 2003
Dermot	Administrative worker	15 years	September 2003
Alan	Manager	25 years (left on redundancy)	September 2003
Doreen	Specialist	18 years	October 2003
Jason	Administrative worker	21 years (left on redundancy)	November 2003
Michael	Administrative worker	21 years	June 2004

However, as the majority of workers at National Savings are in the lower grades, this sample was somewhat top heavy with managers and specialists and I really needed to interview at least one current administrative worker to investigate SBS's new Team Working and Lean initiatives. The union reps had arranged for me to interview one particular worker, but he was not prepared to meet me in his own time after work. Instead, the plan was that once the new trade union structure, the Reps Network, was in place, I could unofficially interview this worker in union facility time. However, the problem was that SBS approval of this new Reps Network was continually delayed. Thus, the final worker interview was eventually completed in June 2004, after a seven month wait. Yet patience is indeed a virtue, and this proved to be one of the most rewarding interviews of the entire research process. Whilst the



initial plan was to interview a range of workers in terms of age, gender, ethnicity and grade, including full-time and part-time staff from different sections; in the end I had no choice but to work with the volunteers available.

All of the worker interviews were tape recorded and the respondents were made fully aware of the aims of the research and why they were being interviewed; in keeping with the accepted guidelines on informed consent (Ali and Kelly, 2004). In order to protect the participants, all of the worker interviewees had their names and biographies changed to make them non-identifiable. The worker interviews were conducted in an array of locations, most were carried out in one of the union rooms on a lunchtime, but others took place in public settings, such as, bars and restaurants. Before starting all of the interviews, I told the respondents about my own employment background and, as mentioned earlier, I feel that this aided the research as the participants could identify with me through similar work experiences. All of the interviews were informal and participant led, in that workers were given the freedom to express what they saw as the important changes to their working lives. This method proved to be particularly fruitful and all of the interviews were rather lengthy, lasting from between one hour to ninety minutes in duration. As the introductory questions were open and wide-ranging, the interviewees soon felt at ease and almost immediately forgot about the presence of the tape recorder. This helped develop the narrative and all of the interviews soon went off on tangents, which was interesting as it usually raised a whole host of fresh and unanticipated issues. I needed to be an active and receptive listener in order to digest information and ask further questions to allow a deeper understanding. Rapport and trust were soon built up and workers honestly and openly talked of their working experiences and informal activities; and many later mentioned how they enjoyed retelling and reminiscing about the mischief and camaraderie of working life at Durham National Savings.

### **Outline of the Thesis**

The proceeding chapters are all situated within current Sociological debates, with much of the thesis being directly related to the Sociology of Work and Employment, as well as Industrial Relations. In chapter two, I examine the central debates and arguments relating to the changes that have taken place at National Savings, which

will theoretically inform the findings chapters. Criticisms of the bureaucratic organisation of the public sector are long-standing, but it was only with the development of New Public Management that concerted cultural change really took place. New Public Management is inextricably linked with efforts to transform the culture of the public sector, and the competing theories of organisational culture change will be examined in detail. I will go on to argue that there are major theoretical problems with Public-Private Partnership approaches, as the interests of business are fundamentally at odds with the ethos of public administration.

The empirical research findings are analysed in the following four chapters. Chapter three sets the context of the National Savings department and the reasons for modernisation. The impact of successive organisational culture change initiatives, prior to the introduction of the PPP, are investigated. It is argued that the process of commercialisation and partial privatisation was gradual at first, but workers at National Savings were increasingly concerned about the future.

Whilst the PPP did signal profound cultural transformations, it was only after the instatement of a new SBS management team that rapid change took place. Chapter four examines the difficulties encountered by SBS with modernisation together with further insourcings and outsourcings, arguing that the company did not conduct thorough research and failed to understand the long-established traditions and cultures of the organisation.

This theme of organisational culture change is continued in chapter five, where new management techniques, such as, Team Working, Lean and employee involvement initiatives are investigated. It is argued that these new working methods create an intensification of work, particularly for those with little organisational power on the shop floor, and the incentive schemes are divisive and counter-productive.

Chapter six analyses formal trade union opposition, together with informal resistance from shop floor workers, to attempts to change the organisational culture of National Savings. There was trade union opposition to many of the Conservatives directives, including strikes against Market Testing. However, there was also reluctance on the part of National Savings management to the implementation of certain initiatives. The PPP of National Savings was proposed by the Conservatives and implemented by 'New' Labour, despite opposition from the majority of staff. This culminated in the first industrial action to be taken against 'New' Labour. In

this chapter I go on to argue that despite there being an implicit 'partnership' between SBS and the union written into the PPP contract, industrial relations at National Savings are now more heated and acrimonious. Yet there has also been informal resistance on the shop floor, involving cynicism and desubordination, as workers are unwilling to embrace the managerially defined norms and values of the new SBS culture.

Finally, the thesis argues that rather than there being one coherent, integrated and homogenous culture, complex organisations are made up of an array of nested and overlapping subcultural groupings which are in a constant state of flux. Hence, organisational culture change is a complex, contested and time-consuming process. This is particularly the case at National Savings with the implementation of the PPP programme, as SBS are endeavouring to change the core values, norms and beliefs of a long-serving workforce in order to make a profitable return on this 'partnership' deal. As a direct result of many of the initiatives introduced by SBS, the pressures on shop floor workers have intensified with the one-time National Savings 'job for life' being shrouded in uncertainty.

## **Chapter Two – Organisational Culture Change: from a Public Sector Bureaucracy to a Public-Private Partnership**

### **Introduction**

The purpose of this chapter is to examine the central theoretical debates relating to culture change at National Savings, before and after the Public-Private Partnership of the organisation. The core related themes of New Public Management and organisational culture change, and how they build on one another, lie at the very heart of the thesis. I will examine the key political arguments and demonstrate how they influenced the policy directives, which were introduced at National Savings. This will then act as a theoretical framework for the rest of the thesis, as key themes run concurrently throughout the empirical research findings chapters.

I will explain how the Civil Service was built upon bureaucratic foundations with a strong public service ethic. Whilst there has been a long history of criticisms of bureaucracy, it was only through the emergence of New Public Management that serious political attempts were made to operate public sector bureaucracies along business lines, thereby transforming the culture of public sector organisations. Such management strategies evolved over time, and I will review the extant literature detailing their application to the Civil Service, involving both commercialisation and part-privatisation. A further development of New Public Management involves the Public-Private Partnership and Private Finance Initiative policies, with increasing private sector participation in the delivery of public services. ‘New’ Labour claim that the modernisation of the public sector under a ‘partnership’ approach renders the divisions between the public and private sectors obsolete. Yet, I will go on to argue that such distinctions remain fundamental, and the fact that a private sector ‘partner’ is attempting to make a profit out of a non-profit public sector financial organisation is a major dilemma of the research.

A central element of New Public Management involves transforming the culture of the Civil Service. The proposed cultural model to follow has been that of the private sector, with directives aimed at shedding the bureaucratic traditions of the Civil Service and embracing the norms, values and beliefs of business. I will examine in detail the competing theories regarding attempts to manage, control and change organisational cultures. A broad range of literature, much of it inter-

disciplinary, is reviewed in this chapter, covering: Sociology, Social Anthropology, Organisational Studies, Political Science, Business Studies, Policy Studies and Public Administration. However, much of the literature relating to changes across the Civil Service is descriptive rather than critical, and automatically assumes that the culture of the higher echelons in Whitehall is simply the same as the workplace cultures of those on the shop floor across Civil Service departments. I will go on to argue throughout this chapter that such explanations are inadequate in dealing with the complexity of workplace cultures. This literature also fails to account for the experiences of the ordinary civil servants up and down the country, and how they understand and deal with the changes imposed upon them through successive government policies. There is limited research on Public-Private Partnership initiatives and the implications such schemes have for workers; and this research will help fill such voids and develop understandings.

### **Weber and Bureaucracy**

Max Weber was the main social theorist associated with the study of bureaucracy, and he believed that as an ideal-type it was the most technically superior form of organisation. Bureaucracy developed fully in modern society, and due to its formal rationality, precision and effectiveness it became the administrative model to follow. Indeed, all public sector organisations were based upon bureaucratic principles, including the British Civil Service (Pilkington, 1999), and such a model was commonly used throughout the private sector too. I will now discuss the historical development of bureaucracy, the key characteristics of it as an organisational form, together with the role of the bureaucrat which made it the favoured organisational type.

Interestingly, Weber did not actually define the term bureaucracy, but he did trace its origins and development, and specified the essential features of the most rational forms of bureaucracy (Albrow, 1970: ch. 2). Bureaucratic forms of organisation can be traced as far back as China in 165 BC (Albrow, 1970: ch. 1), and were effectively employed in both the Roman and Byzantine Empires (Weber, 1968: ch. 11). State administration was used in Ancient Egypt with public regulation of water from the River Nile and the military organisation of construction (Weber, 1968: 972. Pilkington, 1999: 1). Such early bureaucracies were simple, traditional,

patrimonial and highly irrational; but once established they continued to develop and progress (Weber, 2000: 156). Bureaucracy developed with the money economy, taxation, private property and the movement to systematic budgets through public demand for order and protection (Weber, 1967: 204 – 213). Hence, with the growth of an increasingly more complex society, the state had to be administered and regulated in a public and collective way (Weber, 1968: 964). Bureaucracy became fully developed in the most advanced industrial societies during the twentieth century, it played a pivotal role in the rationalisation of the modern world and could be found in practically all areas of social life including: schools, universities, hospitals, government departments, armies, businesses and the majority of workplaces (Weber, 1968: ch. 11. Albrow, 1970. Watson, 2001). Indeed, bureaucracy pervaded both the public and private sectors.

Weber outlined abstract descriptions of the key features which made up the ideal-type bureaucracy, being bureaucracy in its purest organisational form. This ideal-type was an intentionally one-sided representation of the perfect functioning bureaucracy, so that organisations could be evaluated against this model and the closer they were to this, the more effective their performance would be (Jaffee, 2001: ch. 5. Watson, 2001: 66). However, this ideal-type can never be replicated in reality.

Firstly, ideal-type bureaucracies have a monocratically organised hierarchy; this resembles a pyramid structure where there is a chain of command from the top of the organisation to the bottom. Secondly, authority is legitimised with a clearly defined grading system and division of labour within the hierarchy, with superordinate and subordinate relations. Thirdly, communication within the bureaucracy is centralised and vertical, in that information and orders are passed down through the hierarchy. Fourthly, management is based on written documents and files to govern the conduct of bureaucrats, which is intrinsic to administrative order. Fifthly, duties and authority are attached to positions not persons. Therefore, bureaucrats must follow objective and general rules, as opposed to the previous traditions of nepotism and patrimonialism. Sixthly, all bureaucrats are given special technical training so that they have full knowledge of the rules and procedures of the organisation (Weber, 1967: ch. 8 and 1968: ch. 11).

Regarding the official's position, terms and conditions of employment, Weber described how bureaucrats were recruited, distributed and controlled within the bureaucracy. Firstly, recruitment into the bureaucracy is based on educational

qualifications and exams. Secondly, Weber saw office holding as a vocation, where officials had fixed duties and responsibilities, and had to work to their full capacity. Thirdly, the employment tenure of the official is normally seen as a secure 'job for life', as there can be no arbitrary removal from office in public bureaucracies. Fourthly, the salaries of bureaucrats are fixed and based on grade, function and length of service, and include a pension. Hence, due to the employment security associated with such public administration jobs, office holders achieved a high social status and such jobs were sought after. Fifthly, there are fixed career paths within the hierarchy with promotion by one grade at a time, based on individual merit and seniority. Sixthly, there is the functional specialisation of tasks within the bureaucracy, which are specific, distinct and methodical, which allows work to flow smoothly from one department to another, and all duties combine to achieve the overall goals of the organisation (Weber, 1967: ch. 8 and 1968: ch. 11). Weber argued that bureaucracies were potentially superior to all other organisational forms, as they operate under explicit principles which results in an economical, unambiguous, continuous and permanent structure (Weber, 1967: ch. 8. Albrow, 1970. Watson, 2001: 66).

However, Weber was deeply ambivalent about bureaucracy; whilst he saw it as the most rational organisational form, he was also critical of its development. Although he devised an ideal-type, Weber was well aware that in reality bureaucracies were not as rational as initially planned (Albrow, 1970). Indeed, Weber was cautious as he did not advocate the use of bureaucracy, nor did he address the concerns of managers (Watson, 2001: 242). Weber had a very negative world view of the future of bureaucracy, where increasing regulation would demystify social life. He believed that once established, bureaucracy was impossible to destroy and humanity would become trapped within its 'iron cage'. Organisations would become lifeless machines with a congealed spirit striving towards irresistible rationalisation, and bureaucratic workers would become mere cogs in the organisational machine (Weber, 1967: 228 – 229 and 2000: 156 - 157. Mitzman, 1985).

## **The Informal Workings of Bureaucracy**

Whilst Weber was thorough in his account of formal bureaucratic work, he failed to discuss informal and flexible relations and behaviours which exist in all organisations. Blau (1963) argues that without the informal, there would be no formal organisation, and workers mediate between the formal and informal continuously.

Unprescribed actions and behaviours can have both positive and negative effects on bureaucracy. Brown (1992: 93) argues that Weber's description of bureaucracy does not account for unofficial acts, which can contribute to organisational goals. Blau (1963) also claims that informal actions can have positive implications, where workers can take short-cuts and help each other out to increase productivity. Yet, Merton (1968: ch. 8) states that the other side of this is the bureaucratic personality, where workers become so preoccupied with observing bureaucratic rules and regulations that the rules actually become ends in themselves, which creates organisational inefficiency. These notions of bureaucratic inefficiency will be discussed in greater depth later in this chapter, when dealing with the challenge to bureaucracy.

As bureaucracies are much more than lifeless abstractions, it is necessary to investigate informal relationships and workings to understand how workers make sense of and live their lives at work (Bradley et al, 2000: ch. 9). This is why it was essential for me to uncover the reality of working life at Durham National Savings.

In the following section, I will set out the reasoning behind the establishment of the public sector, and the characteristics of this model which distinguish it from the private sector. I will then discuss how Weber's theory of bureaucracy was used as the template for the traditional model of public administration.

## **The Ethos of Public Administration**

The public sector was originally established to provide services to citizens which the market either failed or was unwilling to provide. The values the public sector pursues are of equity, honesty, justice and fairness (Flynn, 2002. Hoggett, 2005). All public sector bureaucracies are open and accountable to Parliament and the general public, in an effort to counter favouritism and corruption (Marquand, 2004: ch. 2).



There are fundamental differences between the private sector and the public sector in terms of ownership, goals and responsibility. The criteria for success in private business is profitability, and such organisations are accountable to their owners and shareholders. In stark contrast, the public sector provides services for the well-being of citizens, often where it would be unprofitable for the market to do so (Nutley and Osborne, 1994: ch. 2. Doherty and Horne, 2002: ch. 1). Hence, there is a different relationship with the users of services, as such organisations serve the public interest and their goals are politically defined (Farnham and Horton, 1996b. Doherty and Horne, 2002: ch. 1). Therefore, the public sector plays an essential role in democratic society, and such organisations are ultimately accountable to the public whom they serve, as opposed to shareholders (Flynn, 2002. Goodsell, 2005). As documented in chapter one, the Department of National Savings is also a public service, its values are philanthropic, in that it aims to help the small saver, whereas commercial banks are directed by profit maximisation.

Historically, the public sector shares many of the features of Weber's ideal-type bureaucracy, in that it is hierarchical with a high division of labour, and based on written documents with intellectually analysable rules (Lane, 1993. Clegg, 1994. Hughes, 2003: ch. 2). Public administration is concerned with predictable, consistent and standard procedures, so that professional practice results in equal treatment for all (Nutley and Osborne, 1994. Farnham and Horton, 1996b). Indeed, the Civil Service was fully established around the time of Weber's writing, with the Northcote Trevelyan Reforms of 1854 establishing the service as a modern bureaucracy, as opposed to a system based on patronage and nepotism (Horton, 1996. Marquand, 2004: ch. 2). Although, it was only in 1919 that a national, unified and centralised Civil Service came into existence, with permanently appointed professional staff who were able to transfer between departments (Pilkington, 1999: chs. 1 and 3).

The British Civil Service, including the Department of National Savings, traditionally has a very hierarchical grading structure, beginning with the administrative positions of Administrative Assistant (AA) and Administrative Officer (AO), through to the executive grades, being lower and middle managerial posts, starting with Executive Officer (EO), to Higher Executive Officer (HEO) and Senior Executive Officer (SEO), and then onto senior managers who run departments. Recruitment is based on formal interview, educational qualifications and, for executive posts, Civil Service exams. All staff are given technical training on how to

complete tasks. Authority is centralised running from the top down through the organisation. There are fixed career paths with promotion up the hierarchy being by one grade at a time based on merit and seniority, and judged by supervisors. Salaries are fixed to a national rate for the grade with annual increments, including occupational pensions and such employment is safe and secure (Drewry and Butcher, 1991. Pilkington, 1999).

Hughes (2003: ch. 2) argues that the 'Golden Age of Public Administration' existed from the 1920s until the early 1970s; yet, as will be discussed in the following section, there have been political attempts from the 1960s onwards to change the culture, nature, ethos and structure of the Civil Service.

### **Bureaucracy under Attack**

Whilst in theory the public and private sectors are essentially different, this distinction has been continually contested with attempts to utilise private sector management techniques and privatise public services. Moreover, criticisms of public bureaucracies are not new; there is a long history of such debates, which are still very prominent today. Bureaucracy has been popularly portrayed in pejorative terms as creating waste and inefficiency, by being too rule-bound and inflexible in the modern world; and the only solution has been to operate bureaucracies along business lines. Yet, those who defend bureaucracy argue that it is inappropriate to run public services in such a manner, as they have an entirely different ethos. In this section of the literature review I will analyse these debates and examine the early attempts to move from an administrative to a managerial Civil Service culture.

The most stinging attacks on bureaucracy have come from Neo Liberals. Ludwig Von Mises (1946) blames bureaucratic maladministration for spiralling costs and inefficiency, which he argues are the very antithesis of business values. Similar claims are made by Crozier (1964) when comparing public bureaucracy to business, as bureaucracy is guilty of being inflexible and stifling, where bureaucrats are not encouraged to use their initiative. Parkinson (1958), in his satirical account of bureaucracy entitled 'Parkinson's law', claimed that bureaucrats perpetuate themselves by looking busy and creating extra tasks when none actually exist, and such procrastination is allowed as there is no incentive for bureaucrats to be efficient. Although this account is anecdotal, it does fuel the fires of those on the right who see

bureaucracy in disparaging terms. These claims continue to be hugely influential and commonly used today.

Whilst in the past bureaucracy had been the organising model used in both the public and private sectors, from the 1950s and 1960s onwards the private sector introduced new management practices to increase efficiency and improve performance. This involved the dismantling of bureaucracy through decentralisation and devolved authority; and there was pressure on the public sector to follow this lead of cultural transformation (Hughes, 2003: chs. 2 and 3). The first modern attempt at trying to introduce managerial reform and culture change to the Civil Service came in 1961 with the Plowden Report. This proposed stricter financial controls with the establishment of Public Expenditure Survey (PES) limits, and stressed the need for efficiency by encouraging collaboration between managers in the Civil Service with their counterparts in business to exchange ideas and experience (Horton, 1996. Pilkington, 1999: ch. 6). Furthermore, the 1968 Fulton Report criticised the Civil Service for being ineffectively organised and managed. The report insisted that there was an urgent need for more accountable Civil Service management in terms of directing staff, setting targets and measuring results. Further suggestions included splitting separate functional departments into autonomous Agencies and even contracting work out to the private sector (Pyper, 1991: ch. 6. Horton, 1996. Pilkington, 1999: ch. 6).

Although these reports put the management of the Civil Service onto the political agenda, only some of these suggestions were introduced (Pyper, 1991: ch. 6. Pilkington, 1999: ch. 6). Callaghan's Labour government did introduce tighter spending controls (Batkin, 1983. Hall, 1983. Likierman, 1984), and there were further plans to privatise elements of the service and introduce Performance-Related Pay (Horton, 1996). However, as the Civil Service was left to reform itself, very little was done to actually challenge its size, hierarchy and inefficiencies, as it continued to be dominated by elite administrators (Horton, 1996. Pilkington, 1999: ch. 6). Yet, as mentioned earlier in the chapter, there is no discussion in the literature of how these changes affected the day to day working lives of ordinary civil servants.

Whilst bureaucracy is often criticised for being inefficient, Albrow (1970) is one of the few theorists with a thorough and accurate understanding of Weber's ideal-type, and is correct in arguing that, for Weber, bureaucracy was never about efficiency. Indeed, the stated advantages of bureaucracy are its rationality,

impartiality and precision, and this is what made it the most superior way to organise public services (Weber, 1968). Furthermore, the ethos of public administration is one of equality of service, which makes the application of business values and methods completely inappropriate (du Gay, 1996 and 2000).

Although these early attempts at managerial and cultural change in the Civil Service proposed stricter financial controls, the contracting out of work to the private sector and the creation of Agencies; such ideas were to be the central elements of New Public Management. In the following section, I will investigate the evolution of New Public Management and how its principles were to fundamentally transform the organisational culture of the Civil Service.

### **New Public Management**

I will now examine the emergence of New Public Management (NPM), set out its key characteristics and discuss its development as an international trend. At its most basic level, advocates of NPM claim that public sector bureaucracies are lacking in comparison to the private sector, therefore, they endorse privatisation, and where that is not possible, public organisations should operate along market lines. A central element of the NPM agenda is that senior managers can take control of the culture of their organisation and transform values, norms and attitudes to improve both employee commitment and productivity. I will examine attempts to apply the key principles of New Public Management to the Civil Service. Many of the ideas associated with NPM are not new, but after the election of the first Thatcher Conservative government in 1979 there were significant, sustained and persistent efforts which changed the culture, structure and nature of the service. The key features of NPM have dominated government policies on the public sector from the early 1980s to the present day, and some theorists argue that this has led to the emergence of a new political consensus, as there has been a continuation of this thinking with 'New' Labour's 'Third Way' philosophy.

### **The Emergence of New Public Management**

As stated earlier, challenges to bureaucracy and public administration are not new, yet increasingly from the 1960s and 1970s onwards criticisms were mounting which diagnosed bureaucracy as a failed model, and offered the market as the solution.

Those predominantly from the right of the political spectrum portrayed bureaucracy in negative terms, depicting it as bloated, sluggish, too rigid, inefficient, unproductive, wasteful, bound up with unnecessary red tape and outdated. Their antidote to these ills, based on the assumption of the superiority of the private sector, was to either privatise or managerialise public sector bureaucracies. I will now examine the main theoretical roots of New Public Management, which are inextricably linked with managerial attempts to transform the culture of public sector organisations.

The bases of NPM are to be found in the theories of private sector management and economic liberalism (Hughes, 2003). Ostrom, a key theorist in public administration, originally writing in the 1970s, claims that there are essentially two forms of organisation: bureaucracy and markets. He argues that there is a crisis of confidence in public sector bureaucracies as they are less efficient and effective than markets and, as they are monopolies, no choice is offered to customers; hence, market-based alternatives are essential (Ostrom, 1989: ch. 1). Similarly, Public Choice Theorists, such as Buchanan and Tullock (1972) believe that the introduction of private sector competition will offer the users of public services more options and flexibility, whilst making the service providers more accountable. Also, hugely influential were the Neo Liberal economists Friedman (1962) and Hayek (1971), who wanted minimal state intervention and argued that the market was more flexible, efficient and creative than government.

Several theorists noted similar trends occurring across the public sector from the early 1980s and throughout the 1990s, most notably in the UK and USA. These changes involved the privatisation or quasi-privatisation of nationalised industries or public services, together with the application of private sector styles of management. The key early theorists all used different terms to describe the same phenomena, Pollitt (1990) termed this 'Managerialism', Osborne and Gaebler (1992) tagged this 'Entrepreneurial Government', and Hood (1991) coined the term 'New Public Management'; which has since become the generally agreed label. Whilst these theorists all identified similar patterns of change, Hood and Pollitt are critical of the direction that the public services have taken, yet Osborne and Gaebler are enthusiastic supporters who influenced the Clinton administration (Ferlie et al, 1996: ch. 1. Doherty and Horne, 2002: ch. 1). NPM is most commonly associated with the rise of the 'New Right' in the early 1980s, particularly the Thatcher Conservative

and Reagan Republican governments in the UK and USA respectively (Massey, 1993). Yet its features have also been identified in several 'centre left' European countries (Ferlie et al, 1996: ch. 1), together with Australia and New Zealand (E. Wilson, 1993. Zifcak, 1994).

Advocates of NPM claim that it is the solution to the weaknesses of bureaucratic public administration. By moving from a bureaucratic to a managerialist model, there will be more accountability of performance which will improve both organisational efficiency and effectiveness. The use of 'cutting edge' private sector management practices will lead to a focus on costs, objectives and results. This new orientation towards the performance measurement of both organisations and their staff ensures better use of resources, improved value for money for taxpayers and more customer-focused services. NPM also involves the introduction of outside competition, where private sector providers are allowed to tender for government contracts to improve efficiency and response rates (Osborne and Gaebler, 1992. Hughes, 2003). I shall now examine the defining characteristics of NPM.

New Public Management has been applied across the public sector from the Thatcher governments onwards, and its features have been identified in the Civil Service, National Health Service (NHS), local government and education (Farnham and Horton, 1996c. Ferlie et al, 1996: ch. 1). Some writers, such as, Osborne and Gaebler (1992) have purported that there is a distinctive style of NPM which is a global phenomenon. This view has been criticised by several theorists for being too simplistic and over-deterministic, they argue that there is no international convergence of one coherent NPM trend, rather there are a variety of models which are continually evolving and changing (Ferlie et al, 1996. Hood, 1998. Pollitt, 2002). For this reason, I will map out the key characteristics of NPM as identified by the main theorists. The first feature is the application of private sector management techniques and the transference of private sector managers to the public sector, in order to transform organisational cultures (Hood, 1991. E. Wilson, 1993). Isaac-Henry (1993) claims that the Conservative governments believed that public sector managers lacked the skills and determination to bring about organisational culture change, and this led to the deliberate recruitment of senior managers from the business sector. Secondly, organisational aims and objectives are clearly defined (Hood, 1991). Thirdly, explicit standards are used to evaluate organisational performance, typically involving the use of quantitative measures, such as,

Performance Indicators (Hood, 1991. Farnham and Horton, 1996b). Fourthly, and linked to the previous point, there is personal responsibility on managers to achieve results and make year on year improvements in the performance of the organisation. This involves the movement towards performance management, with the use of Performance-Related Pay to incentivise all employees, not only senior managers (Osborne and McLaughlin, 2002. Hughes, 2003: ch. 3). The fifth characteristic is the disaggregation of centralised bureaucracies to create smaller more manageable units. This entails the separation of policy from service delivery, in order to increase accountability and responsibility (Hood, 1991. Nutley and Osborne, 1994: ch. 1). Sixthly, NPM involves increasing competition in the provision of services, with the use of private sector contractors in an attempt to reduce costs and improve standards (Hood, 1991. Osborne and McLaughlin, 2002. Hughes, 2003: ch. 3). The seventh facet of NPM is that public sector organisations are placed under increasing financial control, with the use of cost centres to prove that resources have been efficiently used (Pollitt, 1990. Nutley and Osborne, 1994: ch. 1. Farnham and Horton, 1996b). The eighth trait is that there is a concerted effort to impose stronger discipline on the workforce and resist trade union demands by reasserting management's right to manage (Hood, 1991). The ninth factor involves organisations becoming more flexible with the layering of hierarchies, the hiring of temporary staff and the decentralisation of national pay and conditions (Pollitt, 1990. Ferlie et al, 1996: ch. 1). Lastly, NPM involves a greater focus on quality and the rights of service users (Nutley and Osborne, 1994: ch. 1). New Public Management is a complex and multifaceted concept that involves an array of techniques. Yet the components of NPM are firmly interlocked with efforts to radically transform the cultures of public sector bureaucracies.

Before moving on to discuss how the principles of NPM were applied to the Civil Service, I will examine some of the fundamental objections to using these techniques in the public sector.

### **Criticisms of New Public Management Approaches**

There are several key arguments put forward by a variety of theorists as to why NPM is unsuitable and harmful to the public sector. First and foremost, it is the antithesis of public administration and it goes against its foundational values, namely: equity,

neutrality, honesty, fairness and justice (Hood, 1991. Hoggett, 2005). As mentioned earlier in the chapter, what distinguishes the public sector from business are its different aims, accountability and ownership. It operates in the pursuit of the common good, and bureaucratic procedures are necessary to ensure that the public interest continues to be served, which is why the public sector was originally established (Marquand, 2004). Yet the distinctive ethos of public administration is threatened by many of the features of NPM. For instance, the politicisation of management with the recruitment of Chief Executives from the private sector goes against the neutrality of bureaucracy (Farnham and Horton, 1996c), as many are politically committed to the government of the day and are used to drive forward culture change programmes (Hughes, 2003: ch. 3). Similarly, the adoption of individual incentives to staff, such as, Performance-Related Pay, together with the devolvement of national pay and conditions, dismantles bureaucratic procedures which are in place to ensure honesty and equality of treatment (Hood, 1991). Furthermore, the contracting out of public sector work to business also threatens the ethos of bureaucracy, and blurs the essential distinctions between the two sectors (Nutley and Osborne, 1994. Marquand, 2004).

Several commentators argue that managers cannot impose business methods on the public sector due to its fundamental distinctiveness (Pollitt, 1990. Hood, 1991). It is difficult to measure the performance of the public sector and quantify results. Whereas, in the private sector this is more straightforward as it is primarily based on profitability (Lane, 1993. Nutley and Osborne, 1994). Hence, a profit and loss system cannot be simply used to determine the objectives and service provision of the public sector (Self, 1993: ch. 6).

It has been argued that much of the agenda of NPM is simply about cutting costs and reducing staffing levels (Pollitt, 1990. Hood, 1991). Indeed, Farnham and Horton (1996c) claim that increasing pressure is placed on public servants to improve productivity, as a cover up for a lack of financial investment from central government. The taken for granted assumption of NPM proponents that the private sector is inherently superior to the public sector has long been disputed and contested (Pollitt, 1990. Hood, 1991. Marquand, 2004). Moreover, du Gay (2000) argues that bureaucracy is only ineffective when it is judged on the terms of business. Critics also argue that the principles of NPM do not improve service delivery (Hood, 1991. Farnham and Horton, 1996a). Furthermore, Pollitt (2002) states that there are very



few independent evaluations of NPM, and those that do exist have a narrow definition of results which cannot be solely attributable to such techniques.

There is little regard from NPM supporters as to the impact such cultural and structural changes have on those who work in the public sector. Critics argue that such transitions typically have negative consequences in terms of a loss of job security, with an increasingly pressurised pace of work (Farnham and Horton, 1996c. Pollitt, 2002. Hoggett, 2005).

Despite these criticisms of NPM, successive governments have enthusiastically pressed ahead with public sector culture change, and the impact such directives have had on the Civil Service will be addressed in the following section.

### **The Application of New Public Management to the Civil Service**

From the election of the first Thatcher Conservative government onwards, private sector management techniques have been introduced with the aim of improving the efficiency, effectiveness and value for money of the Civil Service. These initiatives were aimed at dismantling many of the bureaucratic traditions of the service, and generating a more commercial culture. I shall now review the extant literature on the impact these changes have had on the Civil Service.

Initially the Conservatives had no coherent radical set agenda for change in the public sector, only general goals and ideological beliefs (Isaac-Henry, 1993. Zifcak, 1994. Horton, 1996). In their 1979 manifesto the Conservatives outlined four broad aims: to reduce the size of the public sector, to cut public expenditure, to curb bureaucratic waste, and restrict, what they saw as, the excessive power of public sector trade unions (Isaac-Henry, 1993. Farnham and Horton, 1996a. Pilkington, 1999: ch. 6). Yet, change in the Civil Service was introduced in an improvised, incremental and pragmatic manner (Isaac-Henry, 1993. Farnham and Horton, 1996a. Marquand, 2004). Many of the ideas used by the Conservatives were not new, but their application was as policies were introduced in a much more determined fashion and imposed from above (Hood, 1991. Johnson, 1993. Self, 1993: ch. 6. Horton, 1996). Influenced by right-wing think tanks, such as, the Institute for Economic Affairs, the Adam Smith Institute and the Centre for Policy Studies (Johnson, 1993. Farnham and Horton, 1996a), the Conservatives introduced policies which were later to be identified as foundational features of New Public Management.

Reform of the Civil Service began slowly at first (Pilkington, 1999: ch. 6), but there were a series of significant measures which set the scene for what was to follow. In 1979, the Conservatives brought in Sir Derek Rayner, from High Street retailers Marks and Spencer, to head the newly established Efficiency Unit, with the aim of eliminating waste and inefficiency (Likierman, 1984. Horton, 1996. Pilkington, 1999: ch. 6). The mantra of the Efficiency Unit was paraphrased by the 'Three Es': economy, efficiency and effectiveness; and members from the unit were deployed to scrutinise Civil Service departments in the drive to improve value for money (Pyper, 1995: ch. 3. Pilkington, 1999: ch. 6). This resulted in the size of the Civil Service being cut by one-third between 1979 and 1991 (Pyper, 1995: ch. 3). However, critics argued that this demonstrated the antipathy of the Conservatives towards the Civil Service, and such cuts would have a detrimental effect on the quality of service received by the general public (Hall, 1983. Isaac-Henry, 1993).

The Financial Management Initiative (FMI) was introduced in all Civil Service departments in May 1982, with three main aims: to set clear objectives, to measure performance and introduce cost centres (Pollitt, 1990. Drewry and Butcher, 1991: 204 – 206. Ferlie et al, 1996: ch. 2). However, there was no absolute FMI model to copy, instead each department was free to develop their own version (Pyper, 1995: ch. 3. Horton, 1996. Pilkington, 1999: ch. 6). The Conservatives claimed that the FMI did increase productivity, and savings of around £1 billion were made between 1982 and 1987 (Pilkington, 1999: ch. 6). However, there were concerns that such reforms were being deliberately restricted by those in Whitehall who felt that the cultural values of the private sector were not suited to public administration (Likierman, 1984. Metcalfe and Richards, 1984).

In 1983 Sir Robin Ibbs was seconded from ICI to be the new Head of the Efficiency Unit, replacing Sir Derek Rayner, and his task was to make the Civil Service more efficient (Pyper, 1991: ch. 7. Horton, 1996. Pilkington, 1999: ch. 6). The Ibbs Report was published in 1988 entitled *Improving Management in Government: The Next Steps*, and the report stated that with over 600,000 employees the Civil Service was too large, diverse and complex to be managed as one single entity. It recommended that the national Civil Service be divided up into separate Executive Agencies, where policy decisions were separated from service delivery (Hood, 1991). Chief Executives were to head Agencies and, in a further effort to commercialise the Civil Service, the government favoured the appointment of

executives from the private sector (Pyper, 1995. Pilkington, 1999: ch. 7). Agency Chief Executives had personal responsibility for the day to day running of operations and the achievement of set targets (Clarke, 1995. Horton, 1996). Under the Civil Service (Management Functions) Act 1992, recruitment, training, pay, terms and conditions were devolved to Chief Executives (Horton, 1996. Pilkington, 1999: ch. 8). Approximately 60% of civil servants now work in 108 Executive Agencies (Flynn, 2002: ch. 1), and the last national Civil Service pay settlement was in 1996 (Gagnon, 1996. Horton, 1996).

The Civil Service was also subject to privatisation during the 1980s and 1990s through the Compulsory Competitive Tendering (CCT) of peripheral services, and, on a much broader scale, Market Testing. By the end of 1993 there had been 389 Market Tests conducted in the Civil Service, with budget savings of around 22% (Pilkington, 1999: ch. 7). However, there are a number of critics who question the alleged efficiency, reliability and quality of the private sector over the public sector, arguing that this has never actually been proven (Batkin, 1983. Ascher, 1987. J. Wilson, 1993. Morgan, 1995. Thomason, 1995). Moreover, any savings made would be at the expense of those workers who are already amongst the lowest paid (Ascher, 1987. Wilson, 1995).

It is clear from the changes discussed above, that several of the key principles of NPM run throughout many of the Conservative governments' Civil Service directives. Hence, there is a sustained and rigorous emphasis on performance objectives and budget controls, with the use of private sector managers and methods, which sees the transformation from a bureaucratic to a managerial service. A major limitation of the literature on the changes that have taken place in the Civil Service is that much of it only relates to policy matters. There is only some limited discussion of the effects on those working in the Civil Service. Foster and Hoggett (1999), in their research on the Benefits Agency, discovered that staff felt increasingly pressurised and were cynical of many of these initiatives, seeing them as a smokescreen for a lack of government investment. Other researchers have found that privatisation through CCT and Market Testing has led to worse employee terms and conditions, and declining staff morale (Ascher, 1987. J. Wilson, 1993. Pilkington, 1999). This gap in the literature is, therefore, why it is essential to investigate the impact that these initiatives have had on the lives of workers at National Savings, particularly to attempt to understand the process of organisational culture change

both before and after the Public-Private Partnership. It is the evolution of this policy which I will now examine, together with how this led to the emergence of a new cross-party consensus.

### **New Public Management – Increasing Private Sector Participation**

Whilst elements of privatisation had already been introduced into the Civil Service, the Private Finance Initiative and Public-Private Partnership policies were new developments in the involvement of private business in the public sector. Originally Conservative government initiatives, both policies were later enthusiastically embraced and reformulated to become part of 'New' Labour's 'Third Way' political philosophy, and marked a further stage in the evolution of New Public Management.

In 1992 the Conservatives launched the Private Finance Initiative, initially as a source of private capital investment to finance public sector building projects (Department of the Environment, 1996). This act is significant as it spells a shift in capital funding from the government to the private sector (Hazell and Zubick, 1995). PFI projects began with private sector investment in the construction of new NHS hospitals, and later spread across a range of public sector settings (Ruane, 2002). Following developments made to the PFI policy, from 1994 onwards private sector companies were invited to design, build, maintain and operate services for the public sector (Ruane, 2002). This initiative keeps government borrowing down, as private sector companies are under contract to provide new buildings and run services. The contractors are paid an annual fee by the government, and lease the building back to the public sector over the duration of the contract. The private company also bears part of the risk involved in the project, and at the end of the contract the assets are returned to full public ownership (Flynn, 2002. Marquand, 2004: ch. 1).

In April 1996 the Conservatives set up the Public-Private Partnership Programme, where the private sector together with the public sector were to be involved in capital investment and delivering public services (Department of the Environment, 1996). Such plans for private contractors delivering public services had been originally mooted back in the early 1980s (Batkin, 1983), although at that time the term PPP was not in existence.

The use of PPPs in the Civil Service is an extension of Agency Status with the separation of policy from administration, yet instead service delivery is outsourced to a private sector 'partner'. The initial plan for the Public-Private Partnership of National Savings was proposed in 1996, by the then Conservative government under the leadership of John Major.

The Conservatives claimed that the advantages of PFI and PPP were that private sector investment, management skills, experience and expertise would be used to transform failing public sector organisations. Through the risk and skills transfer to the private sector, new dynamic managers would use 'cutting edge' innovative approaches to drive up efficiencies and improve overall value for money (Hazell and Zubick, 1995. Cowie, 1996. Department of the Environment, 1996).

Initially, when in opposition, the Labour Party were opposed to PFI claiming that it was the thin end of the privatisation wedge (Ruane, 2002). Yet, under the Conservatives no major PFI deals were secured prior to 1997 (Ruane, 2002). How ironic it is that once re-christened 'New' Labour, such PPP and PFI deals were to spread throughout the public sector (Curwen, 1999). I shall now discuss the emergence of 'New' Labour and the Blair project, and how PPP was reformulated to become a cornerstone of 'Third Way' thinking.

### **'New' Labour, New Public Management and a New Political Consensus**

The election of Tony Blair as leader of the Labour Party in July 1994 resulted in not only a re-naming of the party to 'New' Labour, but also a re-branding and re-evaluation of its entire political direction. The most significant act in this exercise of reassessment was the re-writing of the party's constitution, particularly Clause Four, which was emblematic of 'Old' Labour with their support of Keynesian economics and nationalisation, with the common ownership of the means of production, distribution and exchange (Burden et al, 2000: ch. 1). Instead, the new Clause Four stipulates that the party now stands for a dynamic economy, which uses the enterprise of the market and the rigour of competition in partnership and cooperation with a thriving private sector to provide high quality public services (Panitch and Leys, 2001). This is important as it signals a radical break from the past and an acceptance by 'New' Labour of the reforms made by previous Conservative

governments from 1979 to 1997 (Burden et al, 2000: ch. 1. Panitch and Leys, 2001). Moreover, Tony Blair (1998) claims that the Conservative's reforms of the public sector were necessary, and that the spirit of enterprise applies as much to the public sector as it does to business (New Labour, 2001).

'New' Labour have been hugely influenced by the ideas of Anthony Giddens, and the 'Third Way' is portrayed as representing new, progressive, challenging and radical politics of the 'centre left' (Blair, 1998. Giddens, 2000). Proponents of the 'Third Way' argue that in a rapidly changing world, the dogmatic debates of the past over nationalisation versus privatisation, and the public sector versus the private sector, are outdated and no longer relevant (Giddens, 1998. HM Treasury, 2000). They argue that there is no longer any difference between the public and private sectors, as they now both work in 'partnership' to deliver excellent public services (Giddens, 1998 and 2000. The Cabinet Office, 2003). Thus, the 'Third Way' moves beyond the old political divisions between the 'left' and 'right', and this ideological gulf is bridged in the quest for modernisation (Blair, 1998. Giddens, 1998).

Once 'New' Labour had reformulated their political agenda, they were able to take on board the previous government's PFI and PPP policies and reinvigorate them in order to increase their effectiveness. 'Partnerships' became one of the cornerstones of 'New' Labour's modernisation programme and they came to power determined to make this policy a success (Falconer, 1999. Ruane, 2002). There was to be a new political language and discourse under 'New' Labour, being one of 'partnership', based on cooperation and collaboration between both the public and private sectors (Newman, 2002. Ruane, 2002); this emphasis was lacking under the Conservatives (Blair, 1998. Flynn, 2002). Whilst there is a recognition that both sectors are different, in 'partnership' they compliment each other by combining their own distinctive advantages (HM Treasury, 2000), where the customer service of the public sector works in tandem with the effectiveness of the private sector. 'New' Labour support a range of PPP forms including: joint PPP ventures, PFI deals, the sale of equity stakes in state-owned businesses and outsourcing to the private sector. They are also keen to develop new forms of 'partnerships' (HM Treasury, 2000). What is also different under 'New' Labour is that the government play a fundamental role in setting out stringent performance criteria for all PPP deals; such vigorous accountability of private contractors did not previously exist. As there is a transfer of risk to the private sector, the government must ensure that delivery meets

specifications relating to quality, costs and productivity (Blair, 1998. HM Treasury, 2000). In addition, 'partnerships' under 'New' Labour are now long-term and PPP deals are to benefit all parties (HM Treasury, 2000). 'New' Labour are in complete agreement with the Conservatives over the advantages of PPP, compared to traditional methods of financing public services, namely: improved management, private sector innovation, increased efficiency and value for money (Blair, 1998. Giddens, 1998. HM Treasury, 2000). Yet, one key difference is the huge escalation of PPP projects since 'New' Labour took office (HM Treasury, 2000), and this continues to rise.

There is a clear continuation of the key principles of NPM under 'New' Labour, and several commentators have noted the emergence of a new political consensus (Farnham and Horton, 1999b. Horton, 1996. Flynn, 2002. Hall, 2003. Marquand, 2004). There is broad cross-party support for the foundational values of NPM, with the use of private sector managers and practices to improve the efficiency and cost effectiveness of the public sector (Farnham and Horton, 1999b. Horton, 1996. Newman, 2002). Hence, 'New' Labour take on board many of the Conservatives' criticisms of the public sector, and likewise endorse the use of performance management, financial controls and outsourcing (Flynn, 2002. Marquand, 2004). Such ideas have helped change the culture, values and norms of public sector organisations, and there is now a core belief that the public sector has to be just as effective as the private sector (Giddens, 2000).

However, under 'New' Labour the principles of NPM are enshrined in a new language of 'modernisation', whereas the Conservatives phrased such changes as 'reform'. Also, NPM has been advanced and redirected under 'New' Labour with a reformulation and prioritisation of a 'partnership' between the public and private sectors (HM Treasury, 2000. Ferlie and Fitzgerald, 2002). Moreover, 'partnership' with the private sector is now the main form of public sector investment and under this new political consensus there is to be no return to raising direct taxation to fund public investment (Blair, 1998). This is important in relation to the PPP of National Savings, which was initially proposed by the Conservatives so that a private sector 'partner' could modernise the operational service, deliver new technology and improve customer choice (NAO, 2003). As 'New' Labour were adhering to the previous Conservative administration's budgetary plans (Falconer, 1999), the government argued that they, therefore, had no choice but to proceed with the

'partnership' of National Savings. However, such 'partnerships' with the private sector are not without their criticisms, challenges and contradictions, and these thorny issues will be discussed next.

### **Theoretical Problems of 'Partnership' Approaches**

Many of the criticisms of New Public Management mentioned earlier in this chapter remain relevant when examining 'partnership' programmes, but new dilemmas also arise. Such controversies will now be addressed, including the increasingly blurred distinction between the public and private sectors, and the contradiction of business attempting to make a profit out of the non-profit sector.

I will now take issue with the wider political questions concerning the 'Third Way' and 'partnership' programmes. Whilst it is true that we live in an ever changing world, I want to argue that traditional ideological principles are still of great importance and relevance. Giddens (1998 and 2000) and Blair (1998) both claim that the 'Third Way' is the new radical politics of 'the centre', which moves beyond the, apparently outdated, divisions of the 'left' versus the 'right', and privatisation versus nationalisation. Yet there is no coherent or convincing explanation as to why these fundamental debates cease to exist. Indeed, the 'Third Way' not only takes on board the public sector reforms of the Thatcher and Major governments, which were openly Neo Liberal, but 'New' Labour are actually more effective at driving forward PPP and PFI part-privatisation policies than the Conservatives ever were. Hence, critics such as Panitch and Leys (2001) accuse 'New' Labour of being Neo Liberal, and Hall (2003) argues that they are more 'centre right' than 'centre left'.

Another major failing of the 'Third Way' is that it does not account for any of the fundamental differences between the public and private sectors. Giddens (2000) attempts to sidestep this issue by claiming that such thinking is now "archaic", but singularly fails to address the different aims, ethics, motives and loyalties of these two distinctive sectors. A central dilemma of this research is that the private sector 'partner' – SBS – are attempting to profiteer out of National Savings, a non-profit public institution, and SBS's primary responsibility is to their shareholders. Yet, those in favour of 'partnerships' do not envisage any conflict of interest between the two sectors, even though they are essentially very distinctive with their own



particular aims, goals and values. Marquand (2004) argues that the notion of how the public interest is served by the ethical values of public administration, as opposed to business, has been dropped from the political agenda. Although 'partnership' approaches are relatively new, many of the ideas associated with them, such as, contracting out and incentive pay were used and abandoned in the past as they led to favouritism and corruption (Hood, 1998. Marquand, 2004). Moreover, Pollock and Price (2000) claim that governments are now under increasing pressure from the World Trade Organisation to open up more and more of their public services to free trade, creating a whole new outsourcing market which powerful multi-national corporations are planning to penetrate.

'New' Labour, together with the Conservatives before them, simply take for granted that the public sector is somehow lacking and inept, and can only be rescued by adopting private sector management techniques. Toynbee and Walker (2003) question the superiority of the private sector regarding such 'partnerships'; and in keeping with the arguments made earlier over privatisation, they argue that there is no conclusive evidence to support the apparent effectiveness of the private sector over the public sector. All PPP contracts are measured against a hypothetical Public Sector Comparator, to assess the advantages of private sector involvement relating to risk transfer, effectiveness and value for money. However, critics argue that such mathematics are heavily weighted in favour of a PPP approach, and under this evaluation the public sector is assumed to be more costly and ineffective (Hutton, 2000. Pollock and Vickers, 2000). Moreover, as 'New' Labour have a vested interest in the success of the PPP policy, they have been under-fining private sector 'partners' who have failed to meet requirements. For example, SBS are also involved in modernising the computer systems at the Passport Agency in a PFI deal, and although the widely documented computer failures cost the Agency £12.6 million, SBS agreed to pay only £2.45 million of the costs, even though they were fully liable under risk transfer (Pollock and Vickers, 2000. Toynbee and Walker, 2003). Also, one must question whether it really is more cost effective with a private sector 'partner' on board, as additional monies by way of the contractor's profit margin must be written into PPP deals. Furthermore, National Savings could have been modernised with public money raised through progressive taxation, and this was the main argument used by the trade union in their campaign to oppose the PPP. Indeed, Flynn (2002: ch. 12) argues that as governments can borrow at lower rates of

interest than private companies, this would be cheaper than paying a private sector 'partner' to modernise public services.

The PPP of National Savings signalled the beginning of profound organisational culture changes, much more so than any of the previous directives, as now the organisation is in 'partnership' with a private sector company which has to make a profitable return. As shall be discussed in the following findings chapters, the trade unions and workers at National Savings did not see this issue as beyond outdated debates over nationalisation versus privatisation. Instead they saw PPP as a very real threat to job security and organisational stability, and continue to do so. Despite these genuine concerns, 'New' Labour proceeded to drive forward the PPP, just as the Conservatives had done with their previous Civil Service reforms; thus, it was a forced 'partnership'.

As PPP is such a new initiative, there is only limited research into its impact as a change programme. Grimshaw et al (2002) and Hebson et al (2003) have conducted recent research on such initiatives in the public sector, but not relating to the Civil Service. Both teams of researchers have identified a clear clash between the two sectors over the profit motive; and I want to argue that such an occurrence is inevitable and not seriously addressed by proponents of 'Third Way' politics.

In keeping with a new political consensus, both main political parties support the foundational principles of New Public Management, and they also view the cultural traditions of public sector bureaucracies as being problematic. Moreover, as NPM and organisational culture change are indelibly intertwined, in the subsequent sections I will examine the theoretical debates around the cultures of organisations, and question whether culture can be managed, controlled and transformed to suit the ends of organisational leaders. This is a fundamental issue in the research, as there have been continual attempts to change the culture of National Savings to make the organisation more business-orientated.

### **Organisational Culture(s)**

In the following sections, I will examine the much contested area of organisational culture change. This research is centred around the process of culture change at National Savings, both before and after the PPP of the organisation. There is a strong correlation between the principles of NPM and organisational culture change,

as the public sector is under increasing pressure to emulate current management techniques in order to become more business-focused. There has been growing managerial, practitioner and academic interest in this field from the early 1980s onwards, with several influential 'best seller' management books devoted to organisational culture change. However, there are heated debates concerning how culture is created, who possesses it, and to what extent it can be controlled and managed.

At its most basic level, culture can be seen as a way of life. We become accustomed to cultures and, as we are perceptive beings, we are instantly aware that when we are entering unfamiliar settings we are experiencing different cultures. It has long been recognised by researchers that organisations have their own unique and distinctive cultures, in that different workplaces have different atmospheres (Handel, 2003: 347). Brown (1995: ch. 1) argues that the origins of organisational culture can be traced back to two intellectual traditions: Anthropology and Organisational Sociology. The term 'culture' was coined by the anthropologist Edward B. Taylor in 1871, and incorporated knowledge, morals and customs acquired by members of a society (cited in Brown, 1995: 3). Geertz (2002) developed this concept further, stating that we are suspended in webs of significance; these webs are cultural, and socially constructed. Jacques (1951) was the first sociologist to apply the term culture to an industrial setting, in his book *The Changing Culture of a Factory*. For Jacques, culture involved the customs and traditions of the workplace, the values placed on particular types of work, and the belief in joint management/ union consultation. It also covered the objectives of the organisation, methods of working, technical knowledge, payment systems, and attitudes to discipline. Jacques saw that new members had to learn the organisational culture, and at least partly accept it (Jacques, 1951: 251 – 253). However, Jacques' definition of organisational culture has been criticised by both Turner (1971: ch. 1) and Elsmore (2001: ch. 3) for being too structural-functional; although Elsmore does acknowledge that much of Jacques' analysis remains relevant. As shall be discussed next, there are competing views of the cultures of organisations, along with how and why they should be studied.

As culture is something that is perceived and felt, it is unique to each organisation. Yet, it is an abstract concept which cannot be precisely defined (Handy, 1993: ch. 7). There is no agreed definition of the term culture amongst

anthropologists (Alvesson, 2002: ch. 1). Moreover, there are competing interpretations of the concept of organisational culture, which involve political connotations resulting in little consensus of opinion (Schein, 1991: ch. 1. Anthony, 1994: ch. 3. Brown, 1995: ch. 1. Alvesson, 2002: ch. 1). Yet there is general agreement that culture is shared, and formed around common experiences, meanings and beliefs (Frost et al, 1985. Schein, 1991: ch. 1. Trice, 1993: ch. 1). Cultures are built upon abstract facets, being norms, values and beliefs. Norms are standards that designate expected and acceptable behaviour in organisations, with sanctions for those who fail to conform (Brown, 1995: ch. 1. Watson, 2001). Values are guidelines for what is appreciated in a culture and what ought to take place (Pheysy, 1993: ch. 1. Brown, 1995: ch. 1), with beliefs being principles that organisational members hold to be true (Brown, 1995: ch. 1). Culture is manifest in the customs, traditions, rituals, language and jargon of an organisation (Schein, 1991: ch. 1. Trice, 1993: ch. 1. Elsmore, 2001: ch. 3). The ownership, goals and objectives of an organisation give an indication of its culture, as does the environment in which it operates (Handy, 1993: ch. 7). The organisation of work, formal rules and procedures, together with informal modes of behaviour and interaction, are also cultural (Martin, 1992: ch. 1). Indeed, an organisations culture includes the number and type of staff employed, along with grading, promotion and payment systems (Martin, 1992: ch. 1. Handy, 1993: ch. 7). Culture is also visual, encompassing the physical layout of buildings, dress codes and the use of symbols (Handy, 1993: ch. 7. Brown, 1995: ch. 1). Hence, the culture of an organisation is made up of a vast and complex array of concepts and signifiers, making each culture different and unique.

There are two schools of thought regarding the study of organisational cultures. Firstly, from the perspective of management, who want to understand an organisation's culture in order to make it more effective and productive. Secondly, the anthropological view involves developing broader understandings with critical reflections on the cultures of organisations (Meek, 1993. Anthony, 1994. Alvesson, 2002). Whilst Alvesson (2002) argues that the two are not mutually exclusive; I will set out the main reasonings behind such thinking, which will be discussed in greater theoretical depth in the following sections.

There have been a number of 'popular' management texts which have stressed that leaders can create strong cultures to increase organisational performance (see Ouchi, 1981. Peters and Waterman, 1982. Deal and Kennedy, 2000). Hence, culture

is seen as something that an organisation possesses, and this can be managed and controlled for purely instrumental reasons. As employees internalise new norms and core values, managerial controls are no longer necessary, as there is now worker loyalty through subtle cultural conformity.

Anthropological approaches aim to analyse, interpret and understand the complexities, richness and variations of organisational life (Gregory, 1983. Wright, 1994. Geertz, 2002). Many of those who endorse this approach argue that culture cannot simply be managerially imposed; it is the emergent property of all organisational members (Wright, 1994. Meek, 1995. Roberts, 1997). It is continually created and re-created, and people actively produce culture in order to make sense of their daily lives at work (Trice, 1993. Meek, 1995). The majority of theorists state that complex organisations are multicultural and most members belong to more than one cultural group at any one time. Hence, different departments within the one organisation have their own distinctive cultures. New organisational members go through a process of socialisation, and must learn the culturally accepted beliefs, values and behaviours of particular groups (Brown, 1995: ch. 2. Alvesson, 2002). Cultures are embedded in the history of the organisation, and the past impinges upon the present and future cultural practices of organisational members (Frost et al, 1985. Nord, 1985. Anthony, 1994: ch. 3). Therefore, certain behaviours, values, norms and beliefs become deeply ingrained and embedded in the culture of an organisation (Elsmore, 2001). Yet cultures are not monolithic and static, they are dynamic and constantly changing. The study of organisational cultures is a complex and debated arena, and I will now set out the competing theories.

### **The Competing Perspectives of Organisational Culture(s)**

I will draw on the work of Joanne Martin (1992) who sets out an analytical framework, and identifies three broadly competing theories of organisational culture. These perspectives have differing explanations of culture, the role that it plays in organisations, how culture changes, and whether it can be managed and controlled. However, Martin does emphasise that these models are ideal-types, and there are variations within these broad theoretical categories. I will now set out the main features of these competing standpoints. I will then go on to review in detail the

work of key authors within the integration and differentiation perspectives, and explain the conceptual difficulties in utilising the fragmentation viewpoint.

Those coming from an integration perspective typically view organisations as possessing one homogenous and harmonious culture (Martin, 1992: chs. 1, 3 and 4). Culture is shared and agreed upon, and acts as the social glue that binds organisational members together. This is a particularly functionalist take on organisational culture, where cultural unity generates consistency, clarity and consensus. The integration perspective is the dominant view of organisational researchers and practitioners (Gregory, 1983. Martin, 1992: ch. 4. Willmott, 1993. Brown, 1995: ch. 1. Alvesson, 2002). It is appealing to senior managers, who are seen as the creators and transformers of an organisation's culture, as by changing core values they can apparently increase employee commitment and productivity (Martin, 1992: ch. 4. Handel, 2003: 347 - 349).

In contrast to the integration perspective, where organisations are seen to possess one agreed and shared culture, differentiation theorists argue that there are a plurality of cultural forms. This standpoint challenges the espoused culture of consensus and harmony, which is often purported by senior managers, and critically addresses the differing power and group interests that exist in all complex organisations (Martin, 1992: ch. 5). For differentiation theorists there are nested and overlapping subcultures, which are complex and dynamic, and can co-exist in harmony, indifference or conflict. The different group interests of managers and workers are accounted for in this model, which are absent from the integration perspective. Rather than seeing organisation-wide consensus, for differentiation theorists there is only consensus within subcultures. Yet organisational actors can be members of various subcultures at any one time, resulting in them having multiple identities (Martin, 1992: ch. 6). Given the complexity of organisational cultures, differentiation theorists are highly suspicious of managerial attempts at imposing culture change initiatives, and argue that this can be a difficult and lengthy process (Martin, 1992. Handel, 2003: 347 - 349).

The fragmentation perspective is most commonly associated with postmodern accounts of the cultures of organisations (Martin, 1992: ch. 8). Ambiguity and confusion are at the core of this perspective, which is marked by dissensus, rather than consensus. Hence, there is no cultural or subcultural clarity or cohesion over

core values, all that exists is paradox, uncertainty and disorder (Martin, 1992: chs. 1, 7 and 8. Jaffee, 2001: 175 – 176. Handel, 2003: 347 - 349).

Whilst Jaffee (2001: 175 – 176) claims that most organisations are typically fragmented and lack consistency. Handel (2003: 349) argues that the fragmentation perspective is an uncomfortable and problematic model when analysing organisational cultures. Although the differentiation and fragmentation perspectives see organisations as possessing a plurality of cultures, which are in a constant state of flux, they differ as to whether there can be any cohesion and unifying features amongst cultural groupings. Hence, it is difficult to analyse organisational cultures and change using a fragmentation perspective. For this reason, I shall investigate the integration and differentiation standpoints, as the vast majority of the literature on organisational culture falls within these two perspectives.

### **Integration Perspectives of Organisational Culture Change**

In this section I will review accounts from those writers who argue that culture can be managed and controlled to create organisational success for all. The culture management industry is big business (Willmott, 1993. Alvesson, 2002); and I will assess the claims put forward by Ouchi (1981) and Peters and Waterman (1982) that transforming an organisation's culture to gain competitive advantage is relatively straightforward. I will then examine the arguments of other integration theorists that culture change is more difficult than Ouchi and Peters and Waterman suggest, but this can still be achieved with impressive results. The ability to manage an organisation's culture is popularly seen as the key to success in both the private and public sectors. Whilst many of these authors talk of corporate culture, their ideas have also been influential in stimulating public sector change (Pollitt, 1990). Indeed, one of the central features of New Public Management is that for public sector reform to be successful, organisations must emulate more commercial cultures.

It was widely believed, in the business community, that the reasons for Japan's phenomenal economic success during the 1970s and 1980s were cultural. Ouchi, in *Theory Z. How American Business can meet the Japanese Challenge*, compared the cultures of Japanese and American companies. Ouchi (1981) claimed that management control in Japanese companies was subtle, and consensus was achieved by offering workers greater participation and input in the decision making processes.

This helped managers create strong and coherent organisational cultures with committed and focused workforces. These methods were less costly than financial incentives and bureaucratic rules, as through internalising new cultural norms and values, workers would instinctively know how to act and why. Ouchi argued that for American companies to enjoy the same economic success, they had to learn from the cultural practices of their Japanese competitors.

*In Search of Excellence. Lessons from America's Best-Run Companies* by Peters and Waterman (1982) is a hugely influential book which examines the cultures of, what they deemed to be, excellent businesses. They found that the best performing companies all had strong and coherent organisational cultures. Not only can culture be managed, but Peters and Waterman emphasise that it is the responsibility of senior managers to strengthen their organisation's culture. Leaders must generate the right values, norms and attitudes in their staff, and through creating cultural consensus, not only will staff be more motivated and committed, but performance and productivity, as a consequence, will dramatically improve. In keeping with Ouchi, Peters and Waterman state that through shared norms there is no need for bureaucratic red tape; although those who do not adhere to the new culture must be replaced. In conclusion, they claim that the secret to organisational success is not to be found in Japan, but in America's traditional cultural values and beliefs.

Deal and Kennedy (2000), like Peters and Waterman, also compare the cultures of corporations. Similarly, they argue that the development of strong cultures is a huge factor in determining organisational success. Deal and Kennedy claim that senior managers can build and nourish strong cultures, and the impact that this can have on productivity is amazing (2000: 15). However, Deal and Kennedy differ from Ouchi and also Peters and Waterman, in that they do acknowledge the presence of subcultures in organisations. They make the distinction between strong and weak cultures, and what differentiates weak cultures is that subcultural groups have become too powerful. Senior managers must rectify this situation by fine-tuning the values of staff and generating cultural cohesion so that all parties concur to the organisation's aims.

Kotter and Heskett (1992) in *Corporate Culture and Performance* agree with Ouchi, Peters and Waterman, and also Deal and Kennedy that strong cultures have a positive impact on employee loyalty, commitment and performance. Likewise, they call for organisational agreement on norms and values, where "employees march to



the same drummer” (Kotter and Heskett, 1992: 16). They quote a Chief Executive Officer who echoes these sentiments and is critical of companies with weak or non-existent cultures (Kotter and Heskett, 1992: 16). Like Peters and Waterman before them, Kotter and Heskett compared the strength of cultures in relation to economic performance. From their research they found that organisations with strong cultures generally had the most impressive long-term economic performance. However, some companies with strong cultures did not always have an excellent performance. Kotter and Heskett do acknowledge that culture change can be time-consuming and difficult. They are also aware of the existence of conflicting subcultures, and, like Peters and Waterman, they advocate the replacement of managers whose values and norms are not consistent with the new culture.

Hampden-Turner (1990), in keeping with the majority of integration theorists, argues that organisational culture can be measured and changed in order to improve performance and shareholder value. He sees culture as originating from organisational members, but it is inconsistent so leaders must shape culture to “extol the vision” of the company (Hampden-Turner, 1990: 17). To generate cultural cohesion, leaders must encourage all parties to meet the organisation’s goals, which also involves moderating trade union demands to create harmonious industrial relations.

Morgan (1997: ch. 5) also believes that leaders have a difficult task in transforming an organisation’s culture. The management of culture can be achieved by replacing bureaucracy with new cultural values to achieve success. However, Morgan states that subcultures can exist, and warns that trade unions are foremost in organisational countercultures.

Schein (1991) is an organisational psychologist and consultant who, in *Organizational Culture and Leadership*, aims to help leaders understand their company’s culture so that they can transform it. He stresses that leaders create culture, whilst it is the task of managers to manage it. Moreover, Schein claims that leaders can generate, develop, manipulate and destroy cultures. Leaders have the foresight to perceive weaknesses in their organisation’s culture and the ability to change it. In order to transform the culture of an organisation, Schein (1991: ch. 15) states that the existing culture should be unfrozen so that core values can be re-defined and behaviours altered. Once new values, norms and attitudes are in place and stabilised, the culture can then be refrozen. However, Schein does acknowledge

that culture change can be difficult, and it can be particularly time-consuming in long-established organisations. He believes that culture plays a positive role in organisational life and is the solution to problems, as cultures are always striving for integration (Schein, 1991: ch. 12). Indeed, for Schein, managers play a paramount role in the socialisation of new members into the organisation's values, norms and beliefs, thereby enhancing cultural cohesion. Schein concedes that most complex organisations are multicultural, with subcultures and even countercultures in existence. He states that trade unions can be countercultural in nature, but along with Hampden-Turner (1990), argues that managers have to bring both sides together to achieve organisational goals (Schein, 1991: ch. 13). Yet, managers must be ruthless, and those from the old culture who are unwilling to change, have to be released.

### **Criticisms of Integration Perspectives**

Integration accounts of organisational culture change have been criticised by a number of theorists for making exaggerated claims, being overtly simplistic, and suffering from management bias. Indeed, several of the 'best seller' books reviewed in the previous section are written by management consultants who have a vested interest in emphasising the relative ease and speed at which managers can transform their organisation's culture (Anthony, 1994. Alvesson, 2002). Integrationists have been criticised for having a monolithic view of culture, rather than appreciating its dynamic and complex nature (Gregory, 1983. Martin et al, 1985. Elsmore, 2001). Whilst some integration theorists do discuss subcultural and countercultural elements, they fail to adequately account for any conflict or resistance (Gregory, 1983. Martin et al, 1985. Salaman, 1997) – and these issues will be discussed in greater theoretical depth in the following section on differentiation perspectives. Many of those writing from an integration standpoint use vague definitions of organisational culture (Elsmore, 2001), and are purely interested in quick fixes (Alvesson, 2002).

Those who argue that an organisation's culture should be 'strong' (see Peters and Waterman, 1982. Kotter and Heskett, 1991. Deal and Kennedy, 2000), have been criticised for trivialising culture (Alvesson, 2002). Indeed for Kotter and Heskett (1992: 16) to quote a Chief Executive who is critical of companies with weak or non-existent cultures, singularly fails to appreciate both the formation and ownership of cultures. Moreover, given that it is an abstract phenomenon, several commentators

question how culture can be measured as being 'strong' or 'weak', or 'right' or 'wrong' (Van Maanen and Barley, 1985. Elsmore, 2001. Alvesson, 2002). Obviously, for those coming from an integration standpoint, a 'strong' culture is where employees adhere to the prescribed values, norms and beliefs of senior managers; and the possible totalitarian implications of this will be examined later in this section.

Methodologically there are several criticisms of integrationist accounts of organisational culture change. Firstly, many of the research findings of these authors derive from questionnaires, and quantitative methods have been criticised for failing to capture the detail, variety and complexity of culture (Elsmore, 2001). Moreover, it is highly questionable whether values, norms and beliefs can be measured and compared (Elsmore, 2001. Alvesson, 2002). When qualitative interviews are conducted by integrationists, Alvesson (2002) states that they are predominantly with senior managers. There is a clear danger that this could result in biased accounts representing the espoused culture, as other organisational members, particularly those on the shop floor, are all too often ignored. Furthermore, this view assumes that senior managers are aware of all organisational matters, including the involvement of subcultural groups.

In *Right Enough to be Dangerously Wrong: An Analysis of the 'In Search of Excellence' Phenomenon*, David Guest (1995) is particularly critical of the methods used by Peters and Waterman (1982). Guest argues that they are unclear as to who was interviewed, what data was collected and for what purposes. This is not the only criticism of such literature, as although they are typically littered with accounts of how 'heroes' have turned around failing companies, there is little detail of what managing culture change actually involves. Elsmore (2001) argues that many of these texts involve a very basic analysis of culture change. Brown (1995: ch. 1) states that managing culture is not so simplistic or mechanistic. A major weakness is that these books often fail to account for an organisation's history and traditions, along with the difficulties and complexities of implementing change initiatives. They typically over-emphasise cultural cohesion and harmony, and I would argue that some are little more than pep talks prescribing what a culture should be. Alvesson (2002: ch. 5) states that leaders certainly do have an impact on the culture of an organisation, but this is often over-stated. Furthermore, the economic success enjoyed by some of the companies that Peters and Waterman (1982) labelled as

'excellent' was short-lived (Guest, 1995. Alvesson, 2002). Indeed, Alvesson (2002) argues that it is too simplistic to claim that culture change will increase productivity, as there are many other factors involved in the equation. Salaman (1997) claims that culture change programmes became a passing fad once managers realised how difficult and time-consuming this process could be.

Schein (1991) has also been criticised for his claim that senior managers are able to unfreeze an organisation's culture, change it to meet their objectives, and then refreeze it. Culture is not static, it is dynamic and constantly changing, therefore, Alvesson (2002: ch. 8) argues that culture cannot be frozen. Schein (1991: ch. 12) also maintains that cultures are always striving for integration, but this does not take on board the fact that subcultures and, particularly, countercultures can pull in opposite directions. Yet again, this fails to account for any conflict, and merely hoping to pacify unions does not seriously tackle any notion of resistance in the workplace. Furthermore, the power of senior managers is again over-emphasised, with Schein asserting that managers are all knowing of the 'weaknesses' of an organisation's culture and are active in employee socialisation. For all that this top-down account of managers imposing their cultural vision on a workforce may be wishful thinking; other theorists see a more sinister side to such claims.

Roberts and Strangleman (1998) argue that the lure of the 'cultural exotic' of Japan appeals to senior managers, as they attempt to purge the old organisational norms and values, and implant their own prescribed culture. Hence, culture becomes a tool of managerial control (Willmott, 1993. Wright, 1994. Kunda, 2003), and Willmott fears that this has possible totalitarian implications. This is an attempt at colonising the culture of an organisation, and is essentially a hearts and minds issue, where managers aim to control what workers think and how they behave (Willmott, 1993. Salaman, 1997. Kunda, 2003). The managerial plan is that employees will internalise new norms and values through workshops, training courses, presentations and incentive schemes (Salaman, 1997. Kunda, 2003). Through cultural engineering, senior managers hope to persuade employees to embrace organisational goals, aims and values; this is an attempt to resolve the conflict of interest that lies at the heart of the employment relationship (Salaman, 1997. Kunda, 2003).

However, there are serious questions as to whether the culture of an organisation can be so easily manipulated, controlled and predicted. Salaman (1997) argues that there are real difficulties in managers attempting to define the meaning of

work for employees. Furthermore, workers are not mere objects in this process, who are simply to be culturally programmed. 'Popular' managerial texts do not account for any agency on the part of workers, nor do they examine how new values and norms are interpreted and acted upon. Indeed, any deviation or resistance in the process of changing an organisation's culture is absent from integration accounts, but, as will be examined next, these issues are addressed by differentiation theorists.

### **Differentiation Perspectives of Organisational Culture Change**

Differentiation theorists see organisations as possessing a number of nested and embedded cultures, which are layered and complex. Therefore, managerial attempts to control and change the cultures of an organisation will be fraught with tensions, contradictions and difficulties. These theorists criticise integrationists for being naïve in assuming that all members adhere to one homogenous organisational culture, and for failing to account for the complexity and strength of cultures. Differentiation theorists view large organisations as being multicultural. In identifying organisational pluralism, differentiation theorists accept that there will be competing interests between subcultural groups, which can be conflictual. It is the formation and evolution of subcultures, together with the multiple identities of organisational members, which will be examined next.

Members of large organisations are usually affiliated to various subcultural groupings. As subcultures emerge over time, they can often be inconsistent and contradictory (Alvesson, 2002: ch. 7). Hence, levels of subcultural belonging and commitment can fluctuate and change (Gregory, 1983. Brown, 1998: ch. 3). Subcultural groupings are scattered throughout organisations, and many members are unaware of the existence of other subcultures (Van Maanen and Barley, 1985). There are typically two subcultural forms in organisations: firstly, occupational subcultures and, secondly, trade union subcultures.

Turner in his 1971 book *Exploring the Industrial Subculture* was the first to identify subcultural groupings in organisations. He saw that subcultures had distinctive norms, values and perceptions, which distinguished them from the main organisational culture. Other theorists have taken these ideas forward, and argue that occupational subcultures are produced and re-produced by workers and are, therefore, relatively autonomous, being the indigenous property of the inhabitants (Van

Maanen and Barley, 1985. Anthony, 1994. Wright, 1994. Meek, 1998). These subcultures are formed around common work experiences, together with group interaction, communication and coordination (Wright, 1994. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7). Age, income, education and occupational grade also play a role in establishing subcultural allegiances (Trice, 1993. Brown, 1998: ch. 3). As shared understandings are formed and re-affirmed, this gives meaning to the norms, values and beliefs of a subculture, which can result in embedded subcultural practices (Alvesson, 2002: chs. 3 and 7). Hence, different workers within the same department in an organisation can develop their own distinctive subcultures. Indeed, some theorists argue that different subcultural groups are formed amongst all grades, including middle and senior management (Van Maanen and Barley, 1985. Alvesson, 2002: ch. 5). Yet, as these groupings are sustained and constantly created and re-created, they change and transform over time (Van Maanen and Barley, 1985).

The general acceptance that large organisations are comprised of numerous subcultures dispels the notion that there is one homogenous organisational culture that all members partake in. Moreover, the daily experiences of shop floor workers are usually very different to those of senior managers, and there are typically huge differences in terms of pay, power and status. Integration theorists fail to account for such inequalities, and do not address how subcultural groups are formed and how they have differing norms and values to management (Alvesson, 2002: ch. 3).

Often prominent amongst organisational subcultures are trade unions, being the independently elected representatives of the workforce (Turner, 1971. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7). Brown (1998: ch. 3) states that members of union subcultures embrace norms and values that involve supporting worker collectivism and the right to strike. Yet, as discussed in the previous section, integrationists, such as, Morgan (1997: ch. 5) view trade unions as the main countercultural force in organisations, and Schein (1991: ch. 13) claims that management and unions can be locked in permanent conflict. However, I would argue that this is a misunderstanding of the employment relationship. Countercultural groups are opposed to the main cultural values of an organisation. Whilst trade unions typically bargain for improvements in terms and conditions for their members, they also want organisational success, as without this their members would be without jobs. Management aim to increase profitability, but any increase in wages reduces their profit margin. This is the contradiction that lies at the heart of the employment

relationship, as both sides are reliant upon one another but also have competing interests – and this will be discussed in more theoretical detail in chapter six. Hence, calls from integrationists, such as, Hampden-Turner (1990) and Schein (1991: ch. 13) to bring both sides together to moderate trade unions, fails to recognise that such conflicts are irresolvable.

Hence, differentiation theorists state that complex organisations are made up of a variety of subcultures that are honeycombed, layered and overlapping. Yet this is a complex situation as subcultures are subdivided, unstable and transient (Pollitt, 1990. Anthony, 1994: ch. 5. Alvesson, 2002: ch. 7). As members can be affiliated to a number of different subcultural groups at any one time, there can be competing and contrasting subcultures (Pollitt, 1990. Alvesson, 2002: ch. 7). There can be dual commitment from employees to both senior management and the trade union, but these allegiances can vary depending upon the situation. Hence, there can be conflicts and tensions between subcultural groups, particularly with trade unions resisting management demands (Alvesson, 2002: ch. 7). Moreover, as subcultures become embedded, they can be increasingly defensive, and difficult to manage and control (Anthony, 1994: ch. 8). Yet subcultural groups can also bind together to become the dominant force in an organisation.

Given that organisational cultures are complex, layered and multi-dimensional, they are extremely difficult to manage and change, particularly on a massive scale (Elsmore, 2001. Alvesson, 2002). Moreover, the strength of subcultures can restrict managerial attempts to introduce change, and Elsmore (2001: ch. 6) questions whether certain cynical subcultural groupings will ever embrace new norms and values. Alvesson (2002: ch. 8) states that organisational cultures are anchored in tradition, and as cultural roots are historical and embedded, this can impinge upon change initiatives. Indeed, prior to introducing any changes, there is a need to understand the history and traditions of the organisation (Roberts, 1997). It is more difficult to introduce culture change programmes in long-established organisations with an experienced workforce, than it is in a younger organisation (Alvesson, 2002). Similarly, it is easier to change behaviours, rather than core values and deep-seated attitudes (Anthony, 1994. Elsmore, 2001). Yet changes at behavioural levels are merely cosmetic; to ensure lasting change, Anthony argues that the structures of an organisation must also be altered.

Whilst it is true that senior managers do have a significant impact upon an organisation's culture, this is a negotiated process and other members also have some influence (Anthony, 1994. Alvesson, 2002). Indeed, Siehl (1985) warns of the difficulties of culture change if workers are against it. Moreover, Elisabeth Wilson (1993) argues that coerced culture change is less likely to be successful, with modifications only taking place at a superficial level. Rather, for change to be effective there needs to be a considerable investment in both time and effort. Several theorists argue that culture change is not feasible in the short, or even, medium-term (Pollitt, 1990. Elsmore, 2001); with Alvesson (2002: ch. 3) calling for slow, rather than quick, fixes. Hence, organisational culture change is a gradual, partial and continually negotiated process.

### **Conclusion**

Throughout this chapter I have examined in theoretical depth the indelible relationship between New Public Management and organisational culture change. This relationship is central to the thesis, and will provide the analytical framework for the proceeding empirical chapters. The account of the attempted organisational culture change within Durham National Savings must be located in the context of the ideas and techniques developed with New Public Management. It is this context that gives the case study a wider significance beyond its specific empirical manifestations. The challenges and the resistance to the reform of DNS are likely to have resonance with attempts to change other public sector organisations.

Whilst there is some extant literature documenting the changes that have been introduced in the Civil Service during the 1980s and 1990s, this typically takes for granted that the service has one coherent and homogenous organisational culture. I will go on to demonstrate that such notions are inadequate in explaining the complexities of organisational cultures and subcultures. Thus, there is a noticeable gap in the existing literature on Civil Service culture change, where the experiences of those on the shop floor are largely absent.

The workers that I interviewed at Durham National Savings were miles away, both geographically and in terms of career, income, class and status from senior Whitehall civil servants. This is exactly why it is dangerous to assume that the Civil Service has one culture and to view the changes in the culture of senior civil servants



as somehow being similar, comparable and representative with those of administrative workers, which is where a lot of the existing literature falls down. White-collar work used to be regarded as a skilled middle class profession up until the early 1900s, but it is now widely recognised that administrative work has suffered a loss of status and prestige (Lockwood, 1966. Crompton and Reid, 1982).

Whilst there are competing theoretical perspectives of culture change, in the following findings chapters I will investigate how in practice numerous government directives impacted upon the organisational culture at National Savings. Yet the department is steeped in tradition, with a long-serving workforce and embedded cultural practices, making lasting change all the more difficult.

Although there is some coverage of relatively recent Civil Service culture change programmes, primarily involving peripheral privatisation and Agency Status, there is little academic research on Public-Private Partnerships. The introduction of this initiative at National Savings involved the most salient cultural changes, whereby the core values and orientations were to be deeply altered now that a business 'partner' was delivering the service. The complexities of organisational culture change will be examined in the following chapters, together with conflict and resistance.

One of the primary aims of the research is to understand how the changes implemented at National Savings were experienced and interpreted by those on the shop floor. As I only conducted a limited number of interviews with shop floor workers and trade union representatives, I cannot claim to have fully captured the transitions that have taken place throughout the organisation in all of their cultural depth. However, I feel that this research will contribute to understandings of the complexities, contradictions and difficulties of organisational culture change.

## **Chapter Three – The Process of Commercialisation and Partial Privatisation of National Savings**

### **Introduction**

In this chapter I will investigate the commercialisation of National Savings which resulted in the introduction of elements of privatisation, prior to the Public-Private Partnership. As mentioned in chapter two, there have been a long series of initiatives from the 1960s onwards which were introduced by both Conservative and Labour governments with the aim of making the Civil Service more business-like. Yet profound and lasting cultural change only really took effect from 1979 onwards, and the impact of successive Conservative directives on the organisational culture at Durham National Savings will be examined. This chapter also sets the background for the need to modernise the organisation, which led to the implementation of the Public-Private Partnership policy.

### **The Context of National Savings - a Civil Service Department in Decline and the Need to Modernise**

The prelude to the introduction of the PPP at National Savings must be seen in context, as it had been a Civil Service department in decline from the mid-1980s up until the mid-1990s. This was as a direct result of two inter-related Conservative government policies. Firstly, the Conservative's changing economic policy and how this impinged on its use of National Savings as a means of funding the National Debt.; and secondly, the government's broader reforms of the Civil Service with the development of New Public Management.

At the beginning of her tenure, Thatcher used National Savings as a short-term means of funding the Public Sector Borrowing Requirement (PSBR) (Hall, 1983: 39 – 40. Temperton, 1986: 104 – 110. Pawley, 1991a). In September 1980, the Conservatives launched the 'National Savings Initiative' and a range of new products with attractive interest rates were issued between 1980 and 1985 (Temperton, 1986: 104 – 110). This created new jobs and opportunities in the department, as the government preferred raising finances through National Savings rather than borrowing from the banks, as this would have a detrimental effect on inflation

(Pawley, 1991b). This created large-scale recruitment drives throughout the organisation during the early 1980s, which was a period when the vast majority of the research interviewees started work at DNS. The Conservatives embraced monetarist economics with the combined aim of reducing government borrowing and cutting public expenditure, which was in direct opposition to the post-war consensus of Keynesianism with government intervention and high public spending. Although this consensus was effectively broken in the early 1970s by Heath's Conservative government, who introduced a huge package of public expenditure cuts (Gowland, 1982: ch. 9). Further cuts continued under Labour with a general monetarist trend, although Smith (1987: ch. 5) argues that Callaghan's government were 'reluctant monetarists'. Under Thatcher, the Conservatives were overtly monetarist and introduced a series of public expenditure cuts to reduce the PSBR (Smith, 1987: ch. 8. Pliatzky, 1989: chs. 12 and 14). Once these monetarist policies took hold, the Conservatives reduced their reliance on National Savings as a method of government funding and were actively discouraging savings, which resulted in the "managed decline" of the organisation, as a senior trade union representative explains below.

There was a conscious decision taken by the Tories not to invest in National Savings because there was a run down. The idea was to drip dry it [National Savings], the phrase they used was "managed decline", because you couldn't close it down in one go because you'd have to find £56 billion to repay all of the savers, and the government couldn't do that without destroying public finances. Now what they tried to do was gently let it slip, and occasionally turn on the tap when they needed money, and keep it there as a vehicle for that; but the general trend was downwards. (Steve, union official, interview, 2002)

As previously mentioned in chapter two, upon taking office in 1979, the Conservatives only had very general aims regarding the management of the Civil Service and wider public sector. They set out to reduce the size of the Civil Service and cut public expenditure (Farnham and Horton, 1996a. Pilkington, 1999: ch. 6). Although spending restrictions had been introduced in the form of PES limits from the 1960s onwards under the Plowden Report (Pyper, 1991: ch. 6. Horton, 1996. Pilkington, 1999: ch. 6), the government were determined to make such changes

effective and permanent. As the Conservatives were reducing government borrowing through National Savings and restricting Civil Service departmental spending, this combination led to the steady decline of the organisation. All of the research interviewees stated that recruitment and promotion opportunities evaporated from the late 1980s until the PPP, and this fact is also documented in the 1996 trade union Branch Report (CPSA, 1996).

National Savings, throughout the 1980s and early '90s, was a declining department, mainly due to Conservative government policy on National Savings itself, that it had a debt repayment policy rather than a funding policy. So we were processing more repayments out of National Savings to repay the Exchequer, rather than actually funding the government through creating savings. It was a conscious policy of the government; it was Thatcher's policy to balance the books during the late '80s/ early '90s. This was obviously a movement away from Keynesian economics of using the debt side. So there was a general run down of the department in terms of opportunity, because we weren't creating any extra work or any extra posts. (Chris, union official, interview, 2003)

Therefore, due to Conservative government economic policies, spending restrictions and a lack of investment, the union claimed that National Savings had become an "outdated and decaying organisation" (quoted in PCS, 2001a). Thus, National Savings lacked the new technology and e-commerce channels that all modern financial organisations already possessed.

Yet there had been an attempt to modernise National Savings when it was still part of the Civil Service, with the launch of a Business Process Re-engineering (BPR) exercise from the mid-1990s onwards. The idea was to introduce a multi-product and multi-process Information Technology (IT) transaction system, to provide thoroughly modern and ultra-competitive financial services (CPSA, 1996. PCS, 1998). Hence, with the introduction of telephone banking, internet banking and Automatic Teller Machine (ATM) cards National Savings would be more competitive and better able to attract new customers, as it is traditionally a savings organisation for the older saver. BPR was also introduced in the Contributions Agency around the same time, again with the aim of streamlining the organisation

and introducing new technology into the Civil Service (Harrington et al, 1998); and from my own work experience, this was also the scenario at the Land Registry.

However, the BPR of National Savings was going to be very costly and the Conservatives decided that the most effective way of carrying out this exercise was with a private sector 'partner' on board (CPSA, 1996). The PPP policy was later adopted and reformulated by 'New' Labour and became part of their 'Third Way' political philosophy, where private sector investment would reverse years of "denigration and underinvestment" in the public sector (quoted in New Labour, 2001). Proponents claim that private sector expertise and capital investment can be effectively used to modernise public services. These deals can also create further employment opportunities, whilst enabling the private sector 'partner' to make a profitable return (Falconer, 1999. Giddens, 2000). Thus, the private sector works in 'partnership' with the public sector in delivering modern, high quality public services (HM Treasury, 2000).

In the case of the Public-Private Partnership of National Savings, SBS have to implement Business Process Re-engineering, run the three sites and deliver the service. This 'partnership' is crucial in reversing years of under-investment, and will result in a movement from a largely paper-based labour intensive operation, to a streamlined, automated and efficient service, so that the organisation can compete more effectively within the UK retail savings market. The planned introduction of a single IT platform for all National Savings products, including a customer database and a state of the art call centre will give customers easier access to their savings with more channels for transactions (NAO, 2003).

The risk of running the National Savings Account has now been handed over to the private sector 'partner', and under the terms of the contract SBS must deliver new technology and introduce new working methods. Furthermore, the costs of operating the business have been transferred to SBS, they also have to reduce staff numbers through redundancy and deliver the service to a specific standard which are measured by the use of Key Performance Indicators (KPIs) (NAO, 2003). A profit margin of 8.7% (before tax) has been written into the account, and SBS can make additional savings by making further efficiencies, renting out prime office space, reducing staffing numbers and through the creation of new Third Party Business (NAO, 2003).

This then sets the context of National Savings being a neglected and stagnating Civil Service department for over a decade. As the organisation was in urgent need of modernisation, which was going to be a very costly exercise, a private sector 'partner' was recruited. However, not only are there fundamental issues over a private company attempting to make a profit out of the public sector, but there are further difficulties of SBS trying to transform long-established workplace cultures.

### **Established Workplace Cultures at National Savings and the Widely Accepted 'Job for Life'**

Durham National Savings is a 'brownfield site', in that it has its own established workplace cultures, traditions, values and public service ethos. As stated in chapter one, all of the research interviewees have worked at DNS from between approximately 15 and 25 years, and are, therefore, highly knowledgeable having experienced both working in the Civil Service and working for SBS. National Savings traditionally has a highly unionised workplace culture; departmental trade union density currently stands at a massive 92%, with 90% membership at the Durham site (PCS, 2001a). All of the workers interviewed became union members as soon as they started work in the organisation, which has had an impact upon managerial attempts to transform the workplace culture. Durham National Savings used to be one of Durham City's major employers; it was a huge bureaucratic organisation which contained the largest filing system in Europe - 'Holdings File', which several interviewees stated was the size of Wembley football pitch. National Savings under the Civil Service was hierarchical, with nationally negotiated pay, fixed career paths and an occupational pension. Hence, it was widely regarded as a 'job for life'. I deliberately employ the past tense here because a range of directives have transformed the workplace culture, together with workers' perceptions regarding employment security.

The vast majority of the research interviewees started work at Durham National Savings directly from leaving school and were assigned low-level administrative jobs in the department; which Hammond (1968) also uncovered in his research when the office was originally opened. None of the interviewees consciously and deliberately set out to become civil servants, nor did they initially see working at DNS as a 'job for life'. Most workers saw it either as a job for a few years, or as a stepping stone to

another job, or planned to go on to further/ higher education. Only after working at DNS for a few years did workers start to see it as a 'job for life', as many now had responsibilities, partners and mortgages and, due to the lack of other secure jobs in an economically depressed area, saw it more as a serious occupation. Whilst some workers interviewed did not want to stay at DNS for the rest of their careers, others enjoyed the security and stability of Civil Service work as they could plan for the future. Such notions of a 'job for life' are discussed by Sennett and Cobb (1972) in their book *The Hidden Injuries of Class*, whereby working class people can feel trapped in their jobs, yet this is countered through long-term employment security. Indeed, Civil Service and public service work can be viewed more widely as part of what Roberts (1993: ch. 2) identified as the 'protected sector' in relation to shipbuilding in the 1930s, where there were disparities between the wages paid to private sector shipyard workers and those employed by Local Authorities. Such work was 'protected' in terms of employment and wage security, yet due to market fluctuations public sector workers do not always have superior wages to their private sector counterparts.

The two quotes below sum up the views of many of the interviewees, that working at DNS used to be seen as a 'good job' and a 'job for life'; and this was also the perception of the general public regarding Civil Service employment.

I think the majority of people working at DNS saw it as a 'job for life'. This goes back years, where you'd say to people, "Oh, I've joined National Savings." And they'd say, "Hey, you've got a job for life!" So even people who didn't work here, used to regard that as the case. (Michael, worker, interview, 2004)

I started work at DNS when I was 16 years old, I was fresh out of school and it was December 1978. And I joined because I didn't know what I wanted to be when I grew up, I suppose...and I still don't, 25 years later. I think it was just because it was seen as a being a '**good job**', you know, you got into the Civil Service, and it was classed as a 'good job'. I had no career path as such, and I just sort of drifted into it until I decided what I wanted to do. That's sad isn't it (*laughs*)? Considering I get my long service [25 years] award in December. (Julie, worker, interview, 2003)

The quote above is typical of the other worker interviews, as none set out to purposely become civil servants, it was more a case of applying for what 'good jobs' were available at the time. Sennett (1998: ch. 1) also talks of this notion of 'drift' and of workers attempting to make the most of the limited opportunities on offer. This long-serving workplace culture is also evident in this quote from Julie, of workers, only in time, accepting it as a 'job for life'.

Durham National Savings had been a thriving office from its creation in the late 1960s, until around the mid-1980s. In a research interview, Alan explained that DNS employed up to 3, 500 staff in the 1970s, recruitment was twice a year with 300 staff being taken on; yet in those days there was also a large labour turnover. The majority of the other interviewees all started work at DNS in the early/ mid-1980s and claim that there were approximately 2, 500 staff employed at this time, with around 100 workers recruited monthly. Once again the majority of new recruits were school leavers, yet some new older male employees were taken on who had just been made redundant from the local Consett Steelworks. The steelworks closed in September 1980 with the loss of 3, 700 jobs after a three month-long national strike and a strong campaign by the local community to resist plant closure (Dudley and Richardson, 1990: chs. 1, 6 and 7). This is interesting in the context of local deindustrialisation with the movement away from heavy industrial work, such as, shipbuilding, coal mining and steel making, together with the rising importance of public sector employment (Hall, 1983: 71). It represents a total change of occupation for these men, with the transition from blue-collar work to white-collar clerical employment, and it is also significant in terms of age, as they started working in the organisation at a much older age than the school leavers who were typically recruited.

Another thing that was quite noticeable as well, it was just when Consett Steelworks was closing, and there was a lot of middle aged guys who worked in the steelworks, and because they were recruiting and taking people on [at DNS], there was at least a good...probably ten or so guys who'd worked in heavy industry. They had come to work here because there was no other work going around and they'd just been made redundant. (Kevin, worker, interview, 2003)



However, as mentioned earlier, from the late 1980s right up until the implementation of the PPP, there was no new recruitment and severely restricted promotion opportunities. Although very few workers left the organisation due to the depressed nature of the local economy. This did create problems at DNS as there was now a very unbalanced and stagnant workforce in terms of age which is not representative of the wider population, there was no flow in the organisation in terms of new recruits, steady promotions within the internal labour market or workers leaving to move on to pastures new. What remained was a cohort of workers who had all worked at DNS for 15 years plus, who were clearly very experienced and skilled, yet had severely restricted opportunities within the organisation which led to feelings of being unfulfilled and dissatisfied with their jobs.

Regarding the positive aspects of working life at DNS, all workers interviewed enjoyed the security of Civil Service work, the holidays and flexi-time, and several spoke of their desire to move into areas which particularly interested them, most notably IT. Many enjoyed the opportunities to develop knowledge, talents and skills; which Weber (1968: ch. 11) states come with progress through the bureaucratic hierarchy. Several workers spoke of how they enjoyed the more stimulating and challenging nature of higher-graded work, as they were now able to complete tasks from the beginning to end, with no separation of conception and execution. Braverman (1974) associated this fragmentation of work with the deskilling of clerical labour. Hence, promotion from the administrative grades brought with it not only a financial bonus, but also more control, responsibility and autonomy at work.

But I actually loved being a Network Technician [in IT]. By then the pay was reasonable and the conditions were good, flexi-time, and so on and so forth. You could actually fit your life around work and it was quite good, I found it very rewarding and satisfying. (Doreen, worker, interview, 2003)

Civil servants and public sector workers in general do have a poor public image of being over-paid, over many, over-protected and under-productive (cited in Hall, 1983: ch. 7). Management 'gurus' have deliberately painted a picture of such workers in a very negative, stereotypical and condescending manner. For instance, Osborne and Gaebler (1992) claim that workers in bureaucratic organisations are: slow, inflexible, inefficient, and resistant to change; yet managers are unable to

terminate the employment of these poor performers. Moreover, Kanter (1989) claims that under the hierarchy of bureaucracy there are almost automatic promotions. The mass media have contributed to this poor public perception of public servants, and governments continue to make political capital out of what Serwotka (2004) terms “the mythical penpusher”.

I want to argue that these criticisms have been used as a stick into forcing the Civil Service to change its organisational culture. None of the workers I interviewed at Durham National Savings were in any way like the mythical image of ‘typical’ civil servants, none of them wore bowler hats or pinstriped suits. The vast majority of the workers interviewed defined themselves as working class. Although one noticeable feature from conducting my research is that the managerial and specialist grades, both male and female, all wore suits. Perhaps this ‘popular’ public perception is more applicable to senior career civil servants and the mandarins in Whitehall, but not to those on the shop floor at Durham National Savings.

However, some of the interviewees at Durham National Savings were clearly aware of this poor public perception of civil servants, and of how this had been used to increase the pressure for organisational change.

Civil servants do have a public image of being, you know, over-paid and under-worked. (Doreen, worker, interview, 2003)

The Civil Service had a bad image, and I think they [the Conservative government] were looking to change the image of the bowler-hatted tea-drinking civil servant. (David, worker, interview, 2002)

Whilst these are ‘popular’ criticisms of bureaucracy made by those with a radical agenda of trying to change organisational cultures; there are also criticisms made by employees, whose views I would argue are more pertinent and valid as they experience working on the frontline in a bureaucracy day in, day out. Although employees’ experiences of working life at DNS can be very mixed and varied, there were common themes to come out of the research. I would agree with Brown (1992: ch. 5) that many public sector organisations are not run in the interests of the workforce. Therefore, many workers find bureaucratic employment stifling as they feel that they are under-valued and do not have opportunities to enhance their talents,

skills and prospects; as is also evident in other research on the Civil Service (Hammond, 1968. Harrington et al, 1998). The main criticisms made by workers at DNS about lower-level administrative bureaucratic work are that it is: boring, mundane, routine, easy, unchallenging and unsatisfying.

The job satisfaction level of basic administrative work was virtually zero...it was just extremely laborious. (Doreen, worker, interview, 2003)

I was bored out of my mind doing admin work, and I was useless at it (*laughs*). But that's mainly because I was bored by it! (Angela, worker, interview, 2001)

These were the same criticisms made by employees to Hammond (1968) when he conducted earlier research at Durham National Savings.

However, despite the lack of job control and autonomy in lower-level Civil Service administrative work, at least working at DNS was safe and secure permanent employment. Again, Sennett and Cobb (1972) refer to this trade-off between the stability of such working class employment, against the higher wages and/ or excitement of more rewarding, but less secure work. Whilst the nature of the work at DNS was routine and repetitive, it was good preparation for progressing through the bureaucratic organisation as staff were regularly moved between sections within the office in order that they could benefit from more job variety and gain valuable work experience.

Most people did start off in the filing areas. It was like a grounding, which afterwards when you have worked here, it was a bloody good grounding to get in all honesty. Yeah, it was shit boring, but you learned the basic things. (Julie, worker, interview, 2003)

Several workers at DNS emphasised the regimented, grade conscious, hierarchical and formal culture of the 'old school' Civil Service; yet this did change over time as it became more relaxed. The hierarchy at DNS was a generational one, with younger workers mainly occupying the administrative posts, whilst older employees dominated the managerial grades. This system was maintained as any

mixing or fraternisation between the administrative workers and managers was frowned upon.

DNS was very grade conscious back then, you know, your HEO was 'Mr. So-and-so' and your EO was 'Mr. or Mrs. So-and-so', and then you had your AOs and AAs. It was very, very grade conscious. It was very rare that you saw that people mixed, and you only spoke to the higher grades if it was a work issue and with the utmost respect. (David, worker, interview, 2002)

Indeed, David goes on to explain how this hierarchy of grades was also mirrored in the seating arrangements around the office.

Again it was very grade conscious, even in the way it was set up, you could tell by each section who were deemed as the 'good workers' and who were deemed as the 'bad workers', depending upon where you were sat. If you were deemed as 'good', you sat at the two tables next to the EO. There'd be six AOs on a section, and you would have an EO at the end of the section, and his or her two best workers right in front, then the next two, and then the two that weren't very good sat next to the window. And every section was like that, there was a pecking order in every section, it was amazing, but it actually worked like that, you know. (David, worker, interview, 2002)

As has been mentioned earlier, from the late 1980s onwards, National Savings was a Civil Service department in decline due to government under-funding, which is best outlined in this example by Jason, an administrative worker at DNS.

When I first started working in the 'Save As You Earn' department, they were still actually putting the numbers onto the forms with a number press. It was a bloody big thing you used to stamp the forms with and you used to have to change everything manually, you even had to change it with a little nail! You had to move the numbers around with a nail! So there was no computerisation there when I first started. (Jason, worker, interview, 2003)

Furthermore, two of the workers interviewed, Colin and Jason, spent several years on spells of temporary promotion where they would deputise, for example, for someone on maternity leave, until that person returned to work. However, due to spending restrictions such workers had no chance of being permanently promoted, and this problem was documented by the trade union (PCS, 2001a). This shows how talent, skills and knowledge were wasted in the organisation due to a lack of investment in both the employees and new technology. For example, Jason spent 20 years in the lowest level administrative grade, yet he feels that the managers used him as a font of knowledge in that his skills were appreciated at an informal level, but were not recognised through formal promotion within the organisation.

I was more or less classed as, like, a 'trouble-shooter'. I was going around just cleaning the mess up, even for the EOs, the things that they didn't want to do or couldn't do, they'd say, "You know, he knows what he's doing, we'll get him in and he'll sort it out." That's what it seemed to be, at the time. (Jason, worker, interview, 2003)

### **Recalcitrant Workers at Durham National Savings**

De-subordination and resistance at work are old phenomena (Goodrich, 1975. Miliband, 1978), which Carter Goodrich (1975) analysed in the classic *The Frontier of Control*, originally published in 1920, with accounts of workers resisting attempts of managerial control. Ackroyd and Thompson (1999) argue that misbehaviour is endemic in organisations, yet it is an often neglected area of academic interest. In his book *Sabotage in the American Workplace*, Sprokes defines misbehaviour at work as being "anything you do at work that you are not supposed to do" (quoted in Ackroyd and Thompson, 1999: 2). Almost the exact phrase is used by the worker quoted below to explain what sometimes took place on the shop floor at Durham National Savings.

There were all sorts of things that went on at work that maybe shouldn't have done. Most of the time, it was a good working atmosphere [at DNS]. (Julie, worker, interview, 2003)

Such acts can be seen as strategies that enable workers to survive the rigours, routine and ritual of the working day; in much the same way as Cohen and Taylor (1992) describe efforts to escape the boredom and monotony of everyday life in *Escape Attempts*.

Whilst organised and official industrial conflict at National Savings is covered in chapter six, in this section I will discuss and analyse the more informal, unplanned, spontaneous, sporadic and subtle forms of worker resistance, together with subcultural alliances. It must be stressed that although organisational misbehaviour is a common feature of all social settings, for the most part, workers do comply and co-operate with managers, and complete their daily tasks and responsibilities. Yet some workers interviewed at DNS were honest and open enough to describe some aspects of misbehaviour and rebellion, which brightened up otherwise dull days. Worker resistance can be individual or collective, indeed it can transform from an individual act into a collective one (Miliband, 1978). Such acts do not have to be directly political, premeditated or organised (Miliband, 1978); yet everyday resistance is local and immediate (Gottfried, 1994). Non-compliance is profoundly social and can include counter-productive practices that involve a combination of resistance, escapism or time wasting (Ackroyd and Thompson, 1999). Yet Dubois (1979: ch. 5) argues that acts of sabotage can also be productive, and help reform and relax managerial authority. There are a wide variety of subversive acts that can take place in the workplace, ranging from the more dramatic, such as: political protests, sabotage and theft (Goodrich, 1975. Miliband, 1978. Dubois, 1979. Gottfried, 1994. La Nuez and Jermier, 1994. Ackroyd and Thompson, 1999); to the less direct, involving: restriction of output, unauthorised breaks, practical jokes and fun at work (Goodrich, 1975. Dubois, 1979. Gottfried, 1994. La Nuez and Jermier, 1994. Ackroyd and Thompson, 1999). Miliband argues that such worker recalcitrance is most evident at the point of production, and is an active attempt by workers to resist and transform the conditions of their subordination (Miliband, 1978). I would add that there is always scope for misbehaviour at work as management are not omnipotent, there cannot possibly be 'Orwellian' surveillance and control of all of the workers all of the time. Hence, in the case of DNS such disruptive behaviour takes place on the shop floor, and ranges from practical jokes and general messing around, to more rebellious attitudes, actions and subcultural formations, which can be directed against management and authority figures. Whilst conducting the worker

oral history interviews at DNS the issue of employee recalcitrance was not asked about directly, but it was raised in a number of interviews and the workers concerned thoroughly enjoyed recollecting and reminiscing on such acts, which can range from defiance, to survival strategies, to helping facilitate management.

In certain instances at DNS some managers were all too aware of the mundane nature of certain low-level administrative tasks and allowed some scope for mischief at work. In the quote below, Julie talks of how management discretion was used in a concessionary way to permit some element of fun. Barsoux (1993) argues that such acts can be used to facilitate work. This management discretion mirrors police discretion, as discussed by Reiner (1997), as those in positions of authority judge others and can turn a blind eye to certain misdemeanours.

You also did a stint, while you were down there filing, on 'weeding', which was the **absolute pits!** You went through all of the old drawers and chucked out everything that wasn't necessary. And the atmosphere in there was an absolute hoot, because Tony Winter was the EO and I think he did let us get away with a lot because he understood it was so boring. (Julie, worker, interview, 2003)

The example below shows how fun and humour can be used at work to break up the monotony of the working day, in much the same way as 'Banana Time' was used in Roy's (1960) classic study to enable workers to cope and survive hours of routine and repetitive work. Barsoux (1993) argues that such acts make working life more bearable. Management discretion was used once again in this example of how humour and fun can facilitate work. Dubois (1979: ch. 5) describes such acts as 'productive sabotage', because a more relaxed, understanding and less repressive form of management control can be employed to enable and encourage workers to have fun whilst getting the job done.

Me and Margaret paid Anthony 50 pence each if we could stuff a peach melba in his face and he let us (*laughs*)! We did it when we thought nobody was looking, of course, when we were laughing, Ruth Peart [the manager] just happened to look up. She came in with a reputation for being a bit strict, and she looked over and there's Anthony sitting there with peach melba

dripping off his face and, of course, it was quite obvious me and Margaret were the guilty parties, covered in cream. She just looked, and then she started laughing too, and she was great with us after that (*laughs*)! (Julie, worker, interview, 2003)

However, Ackroyd and Thompson (1999: ch. 5) argue that management discretion might not always be a facilitator, as organisational misbehaviour wastes time and breaks the rhythms of work and concentration. Below is another example of 'clowning' at work, which is commonly used by those with little power in the workplace who often have a negative experience of work (La Nuez and Jermier, 1994. Ackroyd and Thompson, 1999: ch. 5).

I can always remember Johnny; he was one of the lads who worked in the files when I did. As I say, we were all kids, and he played a ukulele and sang like George Formby. I remember him getting wheeled up and down there on one of those barrows that they pushed the work around in, playing his ukulele and singing like George Formby (*laughs*)! (Julie, worker, interview, 2003)

Workers can also use humour as a political weapon in opposition to, and also to challenge, the hierarchical, formal and serious nature of bureaucratic management (Berger, 1996. Ackroyd and Thompson, 1999: ch. 5). Moreover, in this case joking was used to unite workers and reveal a subculture of resistance against certain unpopular managers, which was displayed at the festive time of the year when such behaviour is deemed more acceptable. Yet this example shows that some workers questioned the authority and legitimacy of particular managers and their methods.

There was a good working atmosphere in there...that was tremendous working in the files. I mean, that was in the days when we had Christmas parties where the lads off the section used to dress up and do a skit on the two most hated managers (*laughs*). We were all young kids, it was great! (Julie, worker, interview, 2003)

Misbehaviour and joking at work arise through employee self-organisation, with the establishment of distinctive work-based community identities (Berger, 1996.



Ackroyd and Thompson, 1999: ch. 3). In the case of DNS, such workplace subcultures were created and founded on the basis that many of the newly recruited workers had just left school and started their first job. Other factors, such as, age, play and fun at work, together with disposable incomes and widespread socialising outside of work, were used to compound such allegiances.

I worked as a Clerical Assistant doing menial clerical tasks for about four or five years until about '84/ '85, and to be honest, I had the time of my life. I'd just left school and was getting paid, I'd joined with kids from school, so it was just an extension of school, and it was a real laugh in the big filing areas. It was just good fun, with a good social side and we got paid for basically having a good time. We were all young at the time, and it was a mixture of lads and lasses, and we used to go out and have a drink on lunchtime. In the filing areas we'd be playing tricks on each other, having elastic band fights (*laughs*)...you can imagine what it was like...I mean, we were all 16 - 17 [years old] and it was just such a laugh every day. I can remember going home thinking, I wish I was back at work, because it was just that much fun. (Kevin, worker, interview, 2003)

As discussed in chapter two, subcultural allegiances are typically formed around common work experiences (Wright, 1994. Alvesson, 2002), together with similarities in terms of age and pay (Trice, 1993. Brown, 1998: ch. 3). Cunnison (1982) also found subcultural groupings based around age, class and sex in her research in Manchester factories. At Durham National Savings young workers would join together to make the most of mundane bureaucratic work.

However, several of the workers interviewed at Durham National Savings spoke of their dismay that once in their first job, they were still regarded and treat as school children by their new managers.

Working in 'Holdings File' was **absolutely painstakingly** boring (*laughs*)! Most of the people we took on [at DNS] at the time were school-leavers, and that's the way we got treat, it was like being back at school. (Dermot, worker, interview, 2001)

To analyse this condescending and patronising treatment of low-level administrative workers at DNS by older managers, I will draw on the work of Alan Fox (1974) in his book *Beyond Contract: Work, Power and Trust Relations*, with his notions of low-trust and high-trust managerial regimes. In high-trust employment relations, managers allow workers greater discretion at work through job enlargement and enrichment (Fox, 1974: ch. 2). However, low-trust employment regimes are commonly associated with the big management of bureaucracy, with high levels of workplace control, regulation and surveillance (Fox, 1974: ch. 2). This is exactly how some of the administrative workers described their early working life at DNS. I agree with both Fox (1974: ch. 2) and also Ackroyd and Thompson (1999) who argue that such distrust can create a confrontational response from workers who will, therefore, define their interests and identity in opposition to management, as they feel that they are not included in shared organisational effort and endeavour. These actions by management can be seen to foster two differing responses from workers, yet a combination of these tactics can be employed in opposition to managers. The first response is what Fox (1974: ch. 1) terms the 'low-discretion syndrome', where workers start to behave as they are expected to, like they cannot be trusted by management. This results in feelings of resentment towards management, which Nichols and Armstrong uncovered in the attitude of "if they play silly buggers with me, I'll play silly buggers with them" (worker quoted in Nichols and Armstrong, 1976: 69). Hence, if young adult workers at DNS were being treated as school children, then they would stubbornly act like school children by having elastic band fights and generally messing around. Roberts (1993: 134 – 136) also describes this behaviour in the shipyard setting, where direct management control of enforcing workers of all ages to knock-off exactly on time resulted in worker resistance and prankish misbehaviour to the point where managers were actually chasing workers around the yard. However, for management this can become a self-fulfilling prophecy because, as Goffman discussed with the 'looping effect' in *Asylums* (1991: 41 – 46), such misbehaviour can be used to justify further social control. The second response is one of resistance in an attempt to reclaim lost freedom at work (Gottfried, 1994). As examined in chapter two, subcultures can be formed to oppose and challenge the power inequalities inherent in the capitalist workplace (Alvesson, 2002: ch. 3). At DNS, subcultural groupings were established against older authoritarian managers in

a 'them' and 'us' confrontational manner, where younger administrative workers rebelled against menial, repetitive and boring bureaucratic tasks.

Another distinct memory, and again it is like work being almost an extension of school, is a lot of the EOs were almost like the Gods in the area you worked in. They used to call you by your surname all the time, which was **really strange**, like... "Mr. Thompson." So they were like real 'old school' civil servants, and most of them had moved up from Manor Gardens in London or from the old National Savings office in Harrogate. The lady who was my EO was in her late 50s/ early 60s with a blue-rinse hairdo, you know, and it was like a 'them' and 'us' atmosphere, trying to get one over them. The other thing I remember is, on the clerical side, there's a lot of, like, menial tasks. I remember sorting things with a lot of timing involved, almost like 'time and motion' studies, as to how long it should take you to do this, and how long it should take you to do that. So you used to always try and rebel against that. (Kevin, worker, interview, 2003)

Braverman (1974) argued that clerical work had become proletarianised with the routinisation and deskilling of what was once a craft, through the introduction of elements of scientific management. Scientific management was invented by Frederick Taylor (1911) with his infamous time and motion studies, where jobs were timed to the smallest detail to establish the best, quickest and most 'scientific' method of completing tasks. However, Fox (1974) argues that scientific management was the epitome of 'low-discretion syndrome', as tasks were under stringent supervision and surveillance; and Rose (1975) argues that Taylor's methods were barbaric. However, Braverman was widely criticised in his analysis as he failed to account for workplace resistance to scientific management (Jermier et al, 1994. Bradley et al, 2000). Yet resistance clearly occurred at DNS to such low-trust relations with attempts to disrupt work routines.

Resistance can be used by those with little power to reject and deligitimise figures of authority (Miliband, 1978. Ackroyd and Thompson, 1999). The following account exemplifies this via a symbolic gesture in opposition to those whom we are supposed to respect.

Well there's the story about the Queen Mother (*laughs*). There was Royalty in Durham, and the Queen Mother was going to come past Millburngate House, DNS. Of course, with it being the Civil Service everything was really strict and even though she wasn't coming to our building, we had to be all nice and tidy. So, sure enough we saw the police escorts coming across Millburngate Bridge with the Queen Mother in her car, and one of the lads just stood up at the window and stuck the "Vs" up (*laughs*)! It was almost a sackable offence! I mean, it was difficult to get sacked from the Civil Service, but he came pretty close to it that day. (Colin, worker, interview, 2003)

In explaining these antics of mischief, misbehaviour and unofficial resistance at work, this must be seen in the context that for the majority of workers at DNS this was their first job upon leaving school and many were still growing up. Most found basic bureaucratic work easy and unchallenging, whilst they enjoyed perks, such as, flexi-time and the disposable income, with few responsibilities. However, this carefree attitude did change with age, as some of the interviewees pointed out, because after a few years of working at DNS, most workers did begin to see it as a career and a 'job for life'. Many now had to take working life more seriously as they had fresh responsibilities in terms of having partners and children. Rowbotham argues that workers are now forced into economic slavery due to the enormous levels of personal debt accumulated through home and car ownership. For instance, in 1998 there was £416 billion outstanding on mortgages in Britain (Rowbotham, 1998). Hence, many workers have to keep in line as there is too much in jeopardy through overt misbehaviour at work. This form of control was evident in the early Ford factories, where workers who had families were deliberately recruited as it was in their economic interests to toe the line (Beynon, 1979: 20 – 25). Furthermore, now that Team Working has been introduced at DNS there is less scope for misbehaviour at work, due to the self surveillance of workers within semi-autonomous teams. Yet despite the changes that have taken place, the social aspect and camaraderie of work remain important as many still socialise together and have formed long-lasting friendships.

As mentioned earlier in the chapter, many workers spoke of how the workplace culture of the Civil Service had changed over the years. National Savings was no longer such a stringent and hierarchical bureaucracy, it had become more flexible,

relaxed, open and informal; creating a much better working atmosphere. There was the introduction of a more open staff reporting system, with more mixing between administrative and managerial grades, and the development of in-house computer programmes.

I think there's this view that the Civil Service is some sort of monolithic empire that never changes, but if you've worked in the Civil Service - you have and I have - there's change all the time. For instance, we had in-house IT systems and IT teams who would change programmes and try to be as efficient and effective as possible. I think that's a view that is pervaded by the private sector, that the Civil Service doesn't move on, but it clearly does. (Chris, union official, interview, 2002)

As discussed in chapter two, while integrationists are often criticised for having a monolithic and static view of organisational culture (Gregory, 1983. Martin et al, 1985. Elmore, 2001); the union representative quoted above confirms the arguments of differentiation theorists that culture is fluid and transient. These changes did relax workplace relations at National Savings for those on the shop floor, with the movement to a more open and accountable form of management/ employee relations. However, I will now focus on deliberate attempts to transform and commercialise the workplace culture of the Civil Service, the first of which was through the Financial Management Initiative.

### **The Financial Management Initiative – the First Steps in the Transition from a Bureaucratic to a Managerial Civil Service**

The introduction of the Financial Management Initiative in May 1982 by the Thatcher Conservative government was significant, as it was the first serious attempt at trying to introduce business practices in order to transform the culture of the Civil Service (Horton, 1996. Pilkington, 1999: ch. 6). As discussed in chapter two, there were previous efforts at transforming the service, but the FMI was clearly the start of the process of commercialisation.

There's a little bit of a myth going on, and SBS are guilty of this, of assuming that somehow the public sector wasn't being run along commercial-type lines. If you look back to Thatcherism, then Margaret Thatcher tried to introduce a business culture into the Civil Service. There is absolutely no doubt that the Financial Management Initiative and Agency Status - which separated policy from process - the objective was to bring private sector management styles into the process parts of the service, if not the policy parts. And what we mainly deal with at National Savings, is process. (Steve, union official, interview, 2001)

In keeping with the key principles of New Public Management, the FMI introduced clear objectives, Performance Indicators and devolved budgets to make the Civil Service more commercially focused (Pyper, 1995: ch. 3. Horton, 1996. Pilkington, 1999: ch. 6).

I think the commercialisation of the Civil Service started with the Financial Management Initiative. That involved the delegation of budgets to line managers, financial planning and the introduction of a profit and loss type accounting system, which made people aware of cash and how they were spending it. And that was a sign of a move towards budget control/rationalisation. Proper commercial sector philosophies came in with Agency Status, because a lot of Agencies were set up as Trading Funds and had profit/ loss accounts, which was definitely setting up a financial regime with a commercial attitude. So that was long before outsourcing. (Steve, union official, interview, 2001)

As stated in chapter two, the FMI was a government directive and departments were encouraged to develop their own formats (Pyper, 1995: ch. 3. Horton, 1996. Pilkington, 1999: ch. 6). There were debates over the reluctance of senior civil servants to the FMI, as well as the directive's effectiveness (Likierman, 1984. Metcalfe and Richards, 1984). Yet none of the workers interviewed at Durham National Savings said that the policy had any direct impact on their daily working lives. Indeed hardly any of the workers had even heard of the FMI, let alone knew the aims, objectives and outcomes of the initiative.

There may have been no fundamental changes for those on the shop floor at DNS through the Financial Management Initiative, but it was clearly the start of a rolling programme of reform, which was taken a stage further through Agency Status.

### **Agency Status – the Changing Structure, Culture and Identity of the Civil Service**

As previously detailed in chapter two, Agency Status resulted in the break up of the centralised unified national Civil Service into distinct operational areas, as many government departments became separate semi-autonomous Agencies. In keeping with the principles of New Public Management, this transformed the structure, culture and management style of the Civil Service, with the appointment of Chief Executives to head Agencies and the widespread adoption of private enterprise concepts, such as, Mission Statements and Corporate Plans (Pyper, 1995: 76. Pilkington, 1999: chs. 6 and 7). Agency Status was taken a stage further in 1992 with the passing of the Civil Service (Management Functions) Act, which delegated further powers to Agencies to negotiate their own management structures, grading systems, pay awards, conditions of employment and recruitment (Pyper, 1991: ch. 7. Gagnon, 1996. Pilkington, 1999: ch. 7). Agency Status was a key part of the Conservative's rolling programme of Civil Service reform, and around 60% of civil servants are employed in 108 Executive Agencies (Flynn, 2002: ch. 1). Indeed, National Savings was one of the last Agencies to be created, and became an Executive Agency of the Chancellor of the Exchequer on the 1<sup>st</sup> of July 1996 (NS&I, 2002), with Peter Bareau, the former General Manager Personnel of Lloyds Bank PLC, brought in as Chief Executive (HM Treasury, 1996). An important element of New Public Management involves the deliberate importation of private sector management methods and managers to change the culture of public sector organisations (Hood, 1991). Indeed, the very adoption of the corporate title 'Chief Executive' is designed to introduce cultural change (E. Wilson, 1993). One of the underlying aims of Agency Status was that due to the fragmentation of the Civil Service, workers would now identify with their own particular Agency, rather than the wider service (Pilkington, 1999: ch. 7).

All of the workers interviewed anticipated massive overnight changes at National Savings as a direct result of Agency Status. Yet in reality, it had very little direct impact upon staff on the shop floor at first.

People were so geared up for Agency Status and thought everything's going to change now; we're not going to be the safe and secure civil servants. But it didn't, there was nothing that really changed at all, you couldn't really tell any difference from what had gone before. (David, worker, interview 2002)

Ironically enough, for the workers the most memorable event associated with Agency Status, which every single interviewee mentioned, was the infamous piece of commemorative cake that was presented to all National Savings staff to celebrate the event. However, this supposed 'gift' to mark the occasion was ridiculed and mocked by all research interviewees. Such general employee feelings of irreverence show that the management decision to present staff with a slice of Agency Status cake obviously failed to have the desired effect.

I think it [Agency Status cake] was one of those, probably well intentioned good ideas at the time, that turned out to be entirely and totally crass (*laughs*)! I'll tell you exactly what it was like, you know if you go into a card shop and see these little cakes and they're in a box that you can buy for somebody for a the last minute thing, "Oh there you are, I don't know what else to get you, have that." That was simply all it was (*laughs*)! It was very, very surreal, but never mind... (Michael, worker, interview, 2004)

We didn't see a hell of a lot of change within our work procedures through Agency Status. We got a piece of [Agency Status] fruit cake too...everyone was just laughing! I think I binned it at the time in some sort of protest (*laughs*)! (Chris, union official, interview, 2002)

Many of the workers interviewed did acknowledge that Agency Status did signal the start of profound transformations. Yet any change in the workplace culture was gradual at first.



Agency Status meant nothing really; it didn't have any effect day to day... Although obviously it did, but it must have been so slow, as with a lot of these things, you didn't really notice it was changing. Do you know what I mean? The seeds must have been put there with Agency Status, and we've just changed ever so gradually. (Julie, worker, interview with Julie, 2003)

This quote, again, endorses the arguments of differentiation theorists that organisational culture change is a slow and time-consuming process (Anthony, 1994. Alvesson, 2002).

Yet, there is a mixed picture from the workers interviewed regarding the implications of Agency Status. The majority of staff were worried and concerned about its possible effects, yet Kevin saw this transition in a more positive light.

I think Agency Status just gave [Civil Service] departments more autonomy to manage their own budgets and make decisions. As they weren't tied into bigger, sort of, monolithic departments where you had to get everything signed in triplicate to get something turned around, with the Treasury looking over your shoulder. All of a sudden what you had, which I think in one sense is quite refreshing, is that the Treasury would sign-off what your funds were for the year as a department, and you had the autonomy to manage them and you had to deliver to certain objectives. (Kevin, worker, interview, 2002)

However, I would argue with du Gay (2002) that the Civil Service cannot be run as a quasi-corporate organisation with business aims and objectives, as it is a public service and has an entirely different ethos. Indeed, such changes are introduced under the illusion of more delegation and autonomy. I agree with Pollitt (1990) and also with Self (1993: ch. 6), that the aim of the Conservative government was to reassert tighter financial control over the Civil Service by limiting the cash being distributed to each Agency, so that local managers would then have to make savings and drive forward efficiencies. Several of the key principles of New Public Management are combined in the Agency Status directives, including target setting, cost controls and the need to make year on year improvements. Therefore, the Treasury was still in overall control as it sets performance aims and objectives, yet the pressure was now on Agency management and their staff to decide how to

achieve these targets. Autonomy was also severely restricted as the Treasury had to approve Agency Pay deals, and several commentators argue that workers became very sceptical about these organisational culture change initiatives, particularly as they were primarily about cutting costs (Pollitt, 1990. Gagnon, 1996. Harrington et al, 1998). Furthermore, these spending restrictions later resulted in the start of several 'voluntary' redundancy schemes at National Savings, which will be analysed in chapter four.

The fragmentation of the Civil Service continued as Agency Status developed, with pay and grading reviews which meant that career paths, pay rises and re-grading systems were introduced which were specific only to particular Agencies (Pyper, 1991: ch. 7. Pilkington, 1999: ch. 7). At National Savings the old Civil Service grades of Administrative Assistant, Administrative Officer, Executive Officer, etc, were replaced with a Pay Band system in 1996 (CPSA, 1996). Senior union officials argue that this was a mechanism to create movement and promotions between grades, as the internal labour market had been stagnant from the late 1980s. The same philosophy was used at the Land Registry where the old Civil Service grades were replaced by Registration Assistants, Registration Officers, etc, to create promotions, as many workers had been in the same grade for years and were vastly qualified and experienced (Smith, 2000). However, this re-grading exercise was a further cultural transition as the positions created were only applicable to that particular Agency, as opposed to the wider Civil Service. Hence, such changes made the Civil Service even more fragmented and ghettoised, as individual Agencies were now all cut adrift from the rest of the Civil Service, and this severely restricted the opportunities for staff to transfer between departments (Pyper, 1995: 77). Agencies now had more specific cultures and identities, and this made the likelihood of the Civil Service ever returning to a unified structure with national pay bargaining all the more difficult.

However, the movement from a national Civil Service pay and grading system to an Agency specific one was not without its problems, as Julie explains below. All jobs at National Savings had to be re-graded under a Job Evaluation & Grading System, but some old AO jobs were now re-graded at a higher Pay Band than all of the other AO tasks (CPSA, 1997), which did create bitterness. The same mistakes were to be repeated with the introduction of Team Working and the creation of Team Leaders in another internal labour market re-grading exercise, which will be analysed in chapter five.

With the introduction of the Pay Band system, most of the jobs that were previously AO level, stayed at AO level [Pay Band 3]. The only jobs that they were going to up to this new level of Pay Band 4, were jobs in the Certificate Correspondence Branch (CCB) and Death Claims Branch (DCB). You had to apply for promotion, because management said they had to open it up to competition to give those who'd recently left the [CCB and DCB] sections a chance to gain promotion. It caused an **awful, awful lot** of ill feeling, this Family 306 exercise, it was horrendous. I applied and got a job in there...but people who'd worked in there for years failed to get their own jobs, because it didn't create any more jobs and there was more than the required number of people able to do those jobs. (Julie, worker, interview, 2003)

Agency Status was one of the first really noticeable culture change initiative introduced at National Savings, although transitions were slow at first. The establishment of devolved pay and grading structures did change workplace identities, as workers now automatically had more of an affinity to the National Savings Agency, rather than the wider Civil Service. Indeed, several commentators argue that each Agency now has its own particular culture and identity (Fairbrother, 1994. Pyper, 1995: ch. 9. Horton, 1996). Yet these changes did worry staff, and such feelings of uncertainty increased with the start of privatisation.

### **Compulsory Competitive Tendering and Market Testing – the First Elements of Privatisation**

In line with the philosophy of New Public Management, both Compulsory Competitive Tendering and Market Testing were introduced into the Civil Service by the Conservative governments of the 1980s and 1990s, with the aim that opening up sections of the public sector to competition would result in cost savings and drive up efficiencies (Pirie, 1995. Watson, 1997: chs. 5 and 8). However, as previously discussed in chapter two, such claims are hotly contested with critics arguing that privatisation was a deliberate political act designed to introduce a more commercial managerial attitude and change the culture of the Civil Service (Batkin, 1983. Hall, 1983. Pollitt, 1990. Self, 1993). Furthermore, this was all done on the pretext of

slashing costs, cutting staffing numbers, reducing wages and imposing inferior terms and conditions on already marginalised workers, whilst delivering a poorer quality service as a result of such cut backs (Batkin, 1983. Hall, 1983: ch. 7. Ascher, 1987).

Under Compulsory Competitive Tendering, catering, cleaning and security were the first sections of National Savings to be outsourced to the private sector in the 1980s. Indeed, it was mandatory for all Civil Service departments to transfer cleaning services to private contractors (Pyper, 1995: 65). Contrary to the claims made by those in favour of privatisation, CCT at National Savings did result in cuts to employee terms and conditions, which will be analysed in chapter six.

The possible privatisation of sections of National Savings continued into the early 1990s under Market Testing, and senior union reps state that there were 13 Market Tests in all across the department, which were part of a rolling programme carried out after Agency Status. The research interviewees claim that some of the areas which were open to Market Testing included: Facilities Management, Internal Audit, Computer Services, Reprographics, Stat Processing, Records Branch and the Mail Room. Indeed during 1996 – 1997, just prior to the introduction of PPP, the following areas were to be re-tested: Training, Typing and the Messengerial Services (CPSA 1996. CPSA, 1997).

At National Savings, private sector management consultants were brought in to offer advice on which areas to Market Test. Batkin (1983) states that it was standard procedure for Civil Service departments to employ consultants who would identify which sectors could feasibly be opened up to competition. After such consultations, Agency management then decided which areas to Market Test, and the government's Efficiency Unit oversaw the whole process and ensured that a suitable number of sections had been identified (Pyper, 1995: 65).

There were loads of management consultants around at the advent of CCT and Market Testing, and they gave recommendations on what areas should go out to the private sector. And I think that you'd probably find that in most public sector departments, because they haven't got the experience of tendering and, prior to identifying an area, they'd probably seek advice from various consultancy firms. (Chris, union official, interview, 2002)

As mentioned earlier, the aim of Market Testing was to improve efficiencies, whilst cutting costs by introducing a more commercial culture to the Civil Service. Under Market Testing, the Civil Service was to be benchmarked against the private sector and, therefore, had to be just as efficient. This certainly did create a climate of fear and trepidation amongst all of the workers interviewed, and this threat of privatisation continued throughout the Market Testing period.

Well, the Conservative government's aim of Market Testing was to save money and get the service done cheaper. The union argued that there is only one way you can do that, and that is to reduce the wage bill, because it's 90% of the cost of any of these services. And you can reduce the wage bill in a number of ways, all of which are negative to the workforce. You can cut basic wages, you could worsen terms and conditions, you could work with less staff, which means putting pressure on existing staff. And those were generally what Market Testing did, even to the Civil Service part, we did get a more commercial attitude because they thought they were working to a contract or Service Level Agreement. And so there was an attempt by managers to say to staff, "We're not delivering the contract", as a threat, or, "It might be moved in future, so you had better work harder." (Steve, union official, interview, 2001)

Under Market Testing, specifications for contracts were drawn up and in-house bids were welcome in most, but not all, Civil Service departments (Pyper, 1995: 65). In-House Bid Teams had to go through a process of critical self-appraisal when making their bid, and the criteria are detailed in the interview quote below. Hence, staff and managers in the areas concerned were under increasing pressure and had to put together a bid to effectively save their own jobs from being outsourced to the private sector. This signalled a big culture change as areas of the Civil Service had to be much more commercially focused than ever before, yet this only affected certain staff in particular areas at National Savings.

In-House Bid Teams included an appointed management team, which isn't necessarily a management team from that area, it was people who'd had experience of other in-house bids. That would be supplemented with

managers and staff from the area, who would put forward various proposals on how the work should be done and they would pull together a formal bid which would be compared against the private sector proposals. There would then be a decision made on whether it would stay in-house or be outsourced. In-house bids included: staff numbers, productivity levels, there would be an actual cost on the in-house bid itself, almost like a private contractor in any bidding process. (Chris, union official, interview, 2002)

Market Testing tenders had to be thoroughly assessed by Market Testing Evaluation Teams, comprising of Treasury and departmental officials, who managed the tendering process and had the authority to decide which bidder was to be awarded the contract (Pyper, 1995: 65 – 67). However, there had to be strict separation between the In-House Bid Team and the Evaluation Team to ensure there was fair and open competition (Pyper, 1995: 67).

There was a Market Testing Evaluation Team, which had appointees from different areas of National Savings management. And I think there were some external assessors as well, such as, the Treasury, in terms of value for money. (Chris, union official, interview, 2002)

The In-House Bid Teams at National Savings were highly successful in winning every single Market Testing bid and not one job was transferred to the private sector. However, as mentioned in chapter two, this was certainly not the case in other Civil Service departments (Pilkington, 1999: ch. 7). Indeed, the proposed Market Testing of the Computer Services Group was scrapped due to efficiencies already made under the Civil Service (CPSA, 1996). Therefore, I want to argue that civil servants at National Savings proved themselves to be just as efficient as the private sector, which goes to show that the public sector is not as outdated, cumbersome and ineffective after all.

However, every worker I interviewed spoke of the worry and uncertainty that Market Testing brought with it, and the fear that they could be next. Hence, the trade union were able to build a campaign against Market Testing through this pressure from below, which is discussed in chapter six. The union reps said that although Market Testing only lasted three or four years, it seemed to drag on forever.

Employees didn't see anything positive from Market Testing. I think some managers did because they made savings in terms of the bids, they cut headcount and increased productivity on the back of winning bids, and the threat and the fear that was there from staff who felt, "I don't particularly want to work for a private contractor, because I've always been in the Civil Service." (Chris, union official, interview, 2003)

Furthermore, there was not only pressure to win the in-house bids, but once that hurdle had been overcome, there were continual demands to deliver to certain standards, and improve efficiency and value for money, year on year. As discussed in chapter two, one of the main features of New Public Management is the need to make continual improvements in performance (Osborne and McLaughlin, 2002. Hughes, 2003: ch. 3). There were systems in place to monitor and assess the progress of Market Testing contracts, with penalties for non-compliance and the potential to terminate contracts if they were not up to standard (Pyper, 1995: 67). Not only did this lead to declining staff morale at DNS, but this was mirrored throughout the Civil Service, as many workers thought that privatisation had gone too far and were fearful of their own job security (Pilkington, 1999: ch. 7).

Indeed it is ironic that with the introduction of Market Testing at National Savings, rather than cutting bureaucracy and red tape, it actually created its own bureaucracy.

If they win the Market Testing contract, the In-House Bid Team then have to have a contractual arrangement with the rest of the business, which were called Service Level Agreements. For example, Reprographics won their in-house contract, but instead of just sending a document to print, you then got a form back telling you the price of it. Now no money changed hands, because they hadn't set up internal budgets; so you didn't even have 'soft charging', far less 'hard charging'. It was just a paper exercise, but it created a bureaucracy of its own, it was insane! (Steve, union official, interview, 2002)

There was a report by management consultants Ernst and Young, conducted at the time of the Market Testing programme, explaining that core areas of National Savings could not be outsourced.

All of the messages that the union were getting at the time when they did the Market Testing analysis, a consultancy company Ernst & Young came in - the report is probably still around - and they assessed that it would be impossible to outsource or privatise the core areas of the National Savings business because of the risks involved. And they then just looked at peripheral areas to Market Test, which was horrendous for the staff concerned. (Chris, union official, interview, 2002)

However, this is exactly what happened under PPP, with the outsourcing of the entire service delivery at National Savings, under what was effectively a huge Market Test. Indeed, the proposed new Market Tests of Typing and Training were cancelled as the whole organisation faced a much larger and potentially more serious privatisation (CPSA, 1997).

## **Conclusion**

In this chapter I have set the context of National Savings being a Civil Service department in decline and the need for modernisation, which was to take place under PPP. As National Savings has a long-serving workforce with their own established cultures and traditions, attempts at changing the organisational culture were always going to be difficult and complex. Yet, culture evolves and is constantly transforming, and there were transitions at National Savings involving the numbers of staff employed, internal labour market restrictions and the evolution to a less grade centred working environment. Contrary to the claims made by integration theorists, such as, Ouchi (1981) and Peters and Waterman (1982), National Savings is very much a multicultural organisation. Subcultural alliances did exist, some of which were formed to oppose certain managerial practices.

Regarding the impact that government directives had on transforming the organisational culture, change was slow and negotiated. The Financial Management Initiative had no real effect on the day to day working lives of those on the shop floor at National Savings. This endorses the argument made by Anthony (1994), that for culture change to be effective, it must alter the structures of the organisation. Whilst Agency Status did include structural and cultural change, in that it resulted in the fragmentation of the national, unified and centralised Civil Service, there were not



the immediate transformations that shop floor staff were fearing. On the contrary, change was gradual with the development of Agency specific pay and grading structures. Both the FMI and Agency Status included elements of New Public Management, and this was taken a stage further with the implementation of the first elements of privatisation at National Savings. Security, cleaning and catering were all privatised under CCT, but with Market Testing every in-house bid was successful. Yet this did lead to the development more commercial culture with the emphasis on year on year improvements, together with growing job insecurity. Whilst differentiation theorists, such as, Anthony (1994), Elsmore (2001) and Alvesson (2002) are correct in arguing that culture change is a gradual process, the pressure on embracing a more commercial culture was exacerbated under the Public-Private Partnership of the organisation.

## **Chapter Four – The Public-Private Partnership of National Savings and Early Cultural Transformations**

### **Introduction**

In this chapter I will be investigating the Public-Private Partnership of National Savings, which marked the beginning of the most salient changes in the organisation's culture. As discussed in the previous chapter, there had already been the commercialisation of National Savings, including the introduction of elements of privatisation. Certain earlier change initiatives continued after the PPP, and will be assessed in this chapter. However, what is different under the 'partnership' programme is that the changes affect all of the operational staff, and it is abundantly clear to all employees that SBS are a private company who have to prioritise profitability.

At the start of the chapter, the bidding process and details of the awarding of the PPP contract at National Savings are discussed. Whilst there was a short-lived 'honeymoon period' at the beginning of the contract with some early successes, SBS soon faced mounting difficulties on this 'partnership' deal. This resulted in direct intervention by Siemens AG, the parent company, and the imposition of a new SBS senior management team. The problems encountered by SBS, involving the technical modernisation, further outsourcings and escalating costs are all examined in detail. It is argued that SBS did not conduct thorough research when tabling their bid and naively assumed that there would be a straightforward cultural transfer across to their favoured *modus operandi*.

### **The Public-Private Partnership of National Savings**

Workers at DNS had been concerned about all of the Conservative's earlier Civil Service reforms, but the proposal of the Public-Private Partnership was different for two important reasons. Firstly, it directly affected the entire operational staff in the organisation, not just peripheral employees. Secondly, as both PFI and PPP were such new policies, workers were unsure as to what the policy actually entailed and how it would affect them in their day to day working lives. Many of the workers interviewed at Durham National Savings basically saw PPP as wholesale privatisation.

The staff were worried about PPP because they couldn't distinguish between Public-Private Partnership and full privatisation. I mean, to most of the people on the shop floor it was one and the same, and obviously they'd seen disastrous privatisations, so there was a fear factor there. We were suddenly moving from something that was so safe and secure [- the Civil Service], into the unknown...you know, suddenly going to work for a company that had to consider how much money they spent and how much they made. And it did scare people. (Jim, union official, interview, 2002)

Indeed, trade union Branch Reports from the time document the fears and anxieties of both the union and their members regarding job security, terms, conditions, pensions and employment status (CPSA, 1996 and 1997. PCS, 1998). This fear factor of workers facing privatisation is a common feature in all employment settings. O'Connell Davidson (1994) uncovered this with the privatisation of the water industry, as did MacKenzie (2000) regarding the deregulation of the telecommunications industry. Even pro-PFI academics, such as Hazell and Zubick (1995), acknowledge the uncertainty such changes bring and how this can adversely affect staff morale.

The fear factor of the proposed PPP of National Savings did lead to feelings of anger and bitterness, which resulted in industrial action and a concerted campaign in opposition to this initiative - these actions will be examined in chapter six. The trade union officials and workers believed that the Agency Chief Executive, Peter Bareau, was responsible for driving forward the PPP. As discussed earlier in chapter two, New Public Management often involves the appointment of senior managers from the private sector to drive forward organisational culture change. Whilst some of the workers still regard PPP as full-scale privatisation, the union representatives were keen to point out the key differences between the two concepts, in that National Savings could never be fully privatised, but the delivery of the service could be outsourced to a private contractor.

The fact is, at the end of the day, they [the government] didn't have an asset to sell, they had people and I think that's very important. You couldn't fully privatise National Savings because it's a debt. You couldn't fully privatise a Benefits Agency office, but you can outsource delivery, so like us, every

member of Benefits Agency staff could be employed by a private company. You could fully privatise a hospital or a school. (Steve, union official, interview, 2001)

When National Savings did become a PPP, the workers interviewed felt that it did have serious implications in terms of job security and occupational identity, as it clearly marked the end of an era. Alan openly and frankly admitted that the PPP was “the worst thing to ever happen to National Savings.” Along with everyone else interviewed, he felt that it was clear right from the outset of the PPP that the old notion of National Savings being a ‘job for life’ was over. MacKenzie (2000) also discovered this ending of long-term job security in his research on the re-organisation of labour in the telecommunications industry, as did Hebson et al (2003) in their two case studies on ‘partnerships’ in the public sector. Moreover, Brown (1997) argues that job insecurity is now a common feature of the labour market; as does Klein (2000: chs. 10 and 11), as the growth of outsourcing work has resulted in an increasingly fragile new employment relationship.

For many workers at National Savings, their occupational identity and cultural values lay in the status of being a civil servant; indeed part of the union’s campaign was to retain this status (CPSA, 1997). Many workers spoke of this loss of identity post-PPP, in that they no longer knew what to classify themselves as.

For a lot of us, I think it is part of our culture, we would still like to be civil servants, that’s part of our status. I don’t like the fact that I’m no longer a civil servant. (Angela, worker, interview, 2001)

There is always uncertainty and trepidation with major organisational changes, yet such fears were exacerbated when the PPP was initially proposed as both the unions and workers were unsure as to its possible implications. The union Branch Report of 1997 talks of that fear that after the PPP, National Savings could become a massive call centre (CPSA, 1997). This was one of a list of fears that the workers interviewed expressed, others being that staffing levels could be cut in half, with compulsory redundancy programmes, reductions in annual leave and the abolition of flexi-time.

Just as with privatisations in the past, huge multinational corporations are invading and monopolising markets, and this is well documented in the literature (O'Connell Davidson, 1994. Anthony and Reed, 1995. Klein, 2000: ch. 9. Grimshaw et al, 2002). In the case of Civil Service, these new PPP contracts are dominated by two global corporations – Siemens Business Services and Electronic Data Systems (EDS). SBS is a division of Siemens AG and, as Siemens are a diversified business, they specifically set up this subdivision to penetrate new outsourcing markets. Hence, both EDS and SBS were desperate to win the Public-Private Partnership contract for National Savings as it was the biggest and, therefore, most prestigious Civil Service outsourcing deal. Furthermore, the National Audit Office Report clearly states that this deal was a strategic purchase by SBS (NAO, 2003: 13).

Siemens [AG] have got a wing called Siemens Business Services that has been set up specifically to get into the business process and outsourcing market. And that's why we [National Savings] were important, because they didn't have anything substantial prior to this [PPP] deal. (Steve, union official, interview, 2001)

In the past, multinational corporations have put pressure on governments to open up more of the public sector to private competition (Levie, 1983. Whitfield and Hall, 1983). This pressure is intensifying under globalisation through the World Trade Organisation, as new areas of the public sector are currently being outsourced (Pollock and Price, 2000). Indeed, any European outsourcings must now be open to tenders through the Office Journal of the European Community (OJEC).

There's a European Directive which says if public sector contracts are going to be open to competition, then they have to be advertised across the whole of the European Union. And the OJEC is the Office Journal of the European Community, and that is a Journal which carries every public sector contract across Europe. (Steve, union official, interview, 2002)

There were originally four private sector companies bidding for the Public-Private Partnership contract at National Savings, being: EDS, SBS, ITS and Equip (CPSA, 1997). Yet because of the excessive costs involved in being able to bid for

such outsourcing work, only a handful of huge companies control the market (Grimshaw et al, 2002). The NAO Report states that the two preferred bidders for the contract were SBS and EDS. The final bid made by SBS was £158 million less than the Public Sector Comparator. SBS pledged to reduce the cost of running the business and planned to make their 8.7% financial return from the contract in the long-term (NAO, 2003: 10). The bids from the two companies were close in terms of overall cost, estimates of staffing numbers required to run the operational service and the creation of Third Party Business. The final bid made by SBS was £635 million, which was £57 million less than the £692 million bid by EDS (NAO, 2003: 13). SBS were also prepared to reduce staff numbers more quickly than EDS through voluntary redundancy (NAO, 2003: 13) and employ less managers to run the account (NAO, 2003: 22). Furthermore, SBS accepted more risks in re-engineering business processes (NAO, 2003: 2) and were also prepared to take on the added risk of the Post Office Counters Automation Project; whereas EDS were to charge an extra £60 million for this task (NAO, 2003: 13). All of the risks and the service delivery are guaranteed by Siemens AG, the parent company, to the tune of £250 million (NAO, 2003: 22).

It is clear from the details in the NAO Report of the awarding of the contract that SBS were desperate to move into this new outsourcing market. This was, and still is, the biggest business process outsourcing contract that SBS has, not just in the UK, but internationally (NAO, 2003: 14 and 22). Hence, the final bidder stage became, what one union official described as, a “beauty contest” between SBS and EDS, and it got to the point where SBS were prepared to take on more risks to win the contract. Yet this soon had dire consequences for the company only a few years into the biggest Civil Service outsourcing contract.

Logan et al (2004) refer to the reputation of outsourcing companies and how this can affect worker attitudes to major change programmes. During the ‘preferred bidder’ stage of the PPP process, there were rumours spreading through the office grapevine, particularly regarding the reputation of EDS, which further heightened worker tension and anxiety.

We’d heard so many horror stories, especially about EDS! I mean, Siemens Business Services were very much the dark horse. Like, the guy who runs EDS is that real right-winger from America, Ross Perot... he’d inspect

people's socks and anybody that had brightly coloured socks or ties got suspended, you know, it was all daft stories like that. (Doreen, worker, interview, 2003)

That was one of the questions we [the union] asked EDS when we met them (*laughs*), "Can we have a beard? Can we have an affair with our colleagues?" Because Mr. Perot sacks you for having a beard and having an affair with your colleagues. And if you had an affair with a colleague with a beard, I presume you'd be shot (*laughs*)! (Steve, union official, interview, 2001)

On a more serious note, the trade union representatives did not have any access to information regarding the awarding of the PPP contract at National Savings, this was all 'commercial/ in confidence'. However, in their bid, EDS proposed closing the Millburngate site in Durham and moving the whole operation to Peterlee. This would have been a very unpopular decision with staff, as it would not only result in major upheaval, but many workers base other aspects of their lives around commuting to Durham City Centre every day during the working week.

It got down to a beauty contest between EDS and SBS. I presume their [SBS's] proposal was cheaper and seemed to be more effective. I don't know, the union wasn't privy to that information, it was 'commercial/ in confidence.' I think there may have been some political pressure to go with SBS, especially from Gerry Steinberg [MP] from a Durham perspective, because EDS had made it plain that they were going to close down the operation at Durham and move to Peterlee. (Chris, union official, interview, 2002)

Prior to transfer, both EDS and SBS gave presentations to the staff at National Savings outlining their plans. Yet as Alan explains, there was a feeling amongst the staff of resignation because they had no influence over the key decisions regarding the PPP and, as will be analysed in chapter six, the government had ignored the union's campaign from the outset.

SBS and EDS gave us [the staff] their little presentations about their company and future policies. But I didn't see the point because we didn't have any choice in what was going to happen or any say in the outcome. (Alan, worker, interview, 2003)

### **The Start of the Public-Private Partnership – ‘The Honeymoon Period’**

In April 1999, all National Savings workers had their employment transferred over to SBS and their existing Civil Service terms and conditions were protected under the Transfer of Undertaking (Protection of Employment) Regulations (TUPE). However, there are potential problems as TUPE does not cover pensions and once workers are transferred over to a private company, that contractor can then re-negotiate terms and conditions at any time. This can lead to complications and the imposition of inferior terms and conditions, as other researchers on ‘partnerships’ have uncovered (Grimshaw et al, 2002. Hebson et al, 2003). Therefore, for the unions this can be a representational minefield. The ‘Siemens Saver Plus Plan’ offered by SBS was broadly comparable to the Civil Service pension scheme, and staff were free to decide which scheme to opt for after receiving financial advice from Siemens and representatives from the government’s Actuaries Department (PCS, 1998).

Logan et al (2004) talk of a ‘grace period’ during the start of outsourcings where managers should try to win the support of new employees. Indeed, everyone interviewed stated that there had been little noticeable change at the start of the PPP, and many referred to this as a ‘honeymoon period’. Moreover, this was very much a settling in period for SBS as they tried to establish themselves, assess the situation and plan their change programme. Furthermore, the pay deal for 1999 of 4.3% was rather generous and negotiated much quicker than pay previously had been under Agency Status (PCS, 1999a). The union also gained the added concession of SBS funding the 25 year long-service awards, which civil servants had been entitled to prior to part-privatisation.

The union also got SBS to extend the Siemens long-service scheme – although we’d [National Savings’ ex- civil servants] only been in there, probably for three months – to cover our members. And they all got



hundreds of quid's worth of vouchers for 25 years service at National Savings, and Siemens paid for it. (Steve, union official, interview, 2001)

As differentiation theorists argue, attempting to transform the culture of an organisation is a difficult, time-consuming and continually negotiated process (Pollitt, 1990. Elsmore, 2001. Alvesson, 2002). This is particularly the case at National Savings, as it is a 'brownfield site' with long-established cultures and traditions. Therefore, attempting to change the staffs' deep-rooted norms and values, now that the organisation is a PPP where the private 'partner' has differing aims and motives, was always going to be fraught with tensions and complications. The trade union Branch Report from 1999 discusses the difficulties of both SBS and the staff having to adapt to new cultures and ways of working together (PCS, 1999a). These problems were compounded as SBS were not used to dealing with trade unions, especially such a strong union with 92% membership. Moreover, the union reps argue that in some respects National Savings took over SBS, as the company quadrupled its total number of employees in one PPP transfer.

The PPP was quite strange because we [National Savings] were taken over by SBS, but in one sense we took over SBS as an employee-base, because they only had about 800 or 900 staff nationwide and they then took 4,000 staff on from National Savings. I think SBS found this situation difficult because they thought it would be cultural transfer straight across, but that didn't really happen. (Chris, union official, interview, 2002)

Once SBS had taken over the running of the National Savings Account, there were a series of presentations to staff about how their working lives would change for the better under PPP. Again, Logan et al (2004) encourage management to be persuasive about the benefits of organisational culture change. SBS stressed that there would be more opportunities for staff in terms of Third Party Business and more promotions under Open Vacancy Advertising - these policies will be analysed in chapter five. As Kevin explains below, many workers began to think that SBS could offer them chances to improve their working lives, especially after they had become disgruntled with the lack of opportunities in the Civil Service.

Staff morale was low at the time of the PPP, but paradoxically when SBS came in and gave it the glossy road show and said, "This is what we can do and these are the sort of benefits that you might get out of it." There was almost an underlying feeling from staff of, "Right the decision's been made, let's just get on with it and let's see some change happen." I think a lot of staff were getting quite cynical about what had happened in the Civil Service anyway, and these were new faces with fresh ideas. (Kevin, worker, interview, 2002)

However, as O'Connell Davidson (1994) argues, staff can be sceptical of management claims post-privatisation. This soon proved to be the case at National Savings after SBS had raised expectations under what one worker describes as "a blaze of fire", which later resulted in bitter disappointment when they failed to deliver.

SBS came in with rose-coloured glasses, "We're going to be the best. We're going to bring jobs in, we're going to do this, we're going to do that." At first you thought, is this going to be a change for National Savings? Is this going to be a change for the better? They said they were going to bring in Third Party Business from here, there and everywhere. You heard all of these things, but nothing ever seemed to materialise. That was probably in April [1999] when they came in with a blaze of fire, "We're going to do this, we're going to do that, we're going to do the other." And then, in October/November [1999], "Oh, there's going to be voluntary redundancies." And that was when I thought, "Yeah, this is my time to make a move." (Jason, worker, interview, 2003)

### **The Limited Early Successes of the 'Partnership'**

In 2001/ 2002 SBS saved the tax payer £176 million through cost reductions at National Savings, which beat the original target of £150 million (NAO, 2003: 2). SBS also increased productivity, as 50 million transactions are still dealt with at National Savings per year, but they are now processed by less than 2, 000 staff, as opposed to the 4, 100 originally employed at the start of the contract (NAO, 2003: 8).

New investment by SBS has resulted in the modernisation and streamlining of the organisation with the movement to automated and more consistent processes, which will result in a lower cost operation (NAO, 2003: 7 – 8). For instance, at the start of PPP all three sites were different in that they all administered their own specific products and customers could only enquire about products at particular offices. Now enquiries on any product can be dealt with much more flexibly by all National Savings offices. Also, SBS now have customer profiles so that they can identify the holdings of each customer and target sales to further improve cost effectiveness (NAO, 2003: 2 and 8). In February 2002, National Savings launched its new corporate identity as National Savings and Investments, to mirror the modernisation of the business and its new customer focus (NAO, 2003: 10. NS&I, 2003). Despite some media criticism, the £3 million cost of this re-branding exercise was absorbed by the National Savings budget (NAO, 2003: 10). Both the use of customer profiling and the new title and identity of the organisation, signal attempts to move towards a corporate culture. SBS have had some successes with the creation of new Third Party Business, developing a new benchmarked call centre and increasing production, without the need for compulsory redundancies (NAO, 2003: 2); although there have been extensive ‘voluntary’ redundancies both prior to and after the PPP. The details of these changes will be analysed later in this chapter, and I want to go on to argue that improvements in productivity and cost effectiveness have come at a cost of increasing work intensification and pressure throughout the organisation.

### **Major Problems with the ‘Partnership’ – Enter: The New SBS Senior Management Team**

Although there were some successes for SBS at the start of the PPP contract at National Savings, several of the workers and union officials interviewed all emphasised the relentless change programmes introduced by SBS; this is also documented in successive union Branch Reports (PCS, 1999a, 2000 and 2001a). However, such changes were not as effective as the contract stipulated, as SBS did not reduce the costs of running National Savings as quickly as planned (NAO, 2003: 2), and were spending more on the maintenance of the three sites than originally anticipated due to health and safety regulations (NAO, 2003: 3 and 14). Moreover, SBS failed to create the new Third Party Business they had predicted in their original

bid, and this had a subsequent knock on effect because they were then unable to reduce the headcount by transferring staff to new work (NAO, 2003: 3). Hence, due to the escalating costs incurred during the first 2 – 3 years of the contract, a new SBS senior management team were appointed (NAO, 2003: 2 and 23). However, a more fundamental problem lies at the heart of the PPP philosophy when dealing with organisational culture change, and that is the inherently ideologically opposed agendas of the two ‘partners’.

The PPP of National Savings involves a profound cultural transformation, and although the organisation had been subject to commercialisation with peripheral areas privatised, it was still regarded by the staff as a public sector institution, as opposed to a business.

To be honest with you, in the past I don’t think anybody would have ever thought of National Savings as ‘a business’. We were civil servants, and we did what civil servants do. (David, worker, interview, 2002)

During the ‘honeymoon period’ at the start of the PPP, nearly all of the interviewees spoke of how SBS had employed numerous management consultants to help develop their agenda of change. As mentioned in chapter three, management consultants were used at National Savings when the organisation was part of the Civil Service. However, what is new is the increasing use of consultants by SBS in order to transform the organisational culture and make a profitable return on the deal.

SBS have had thousands of management consultants in to assess their change programme. Well then, so did the Civil Service, there’s nothing new in that, it’s just the scale of it, it’s gone up massively. (Steve, union official, interview, 2001)

Right at the start of the contract SBS brought in their own management team to run the NS&I Account, all of whom were from a range of outside industries and, as is the norm in the private sector, were employed on individual contracts. Several of the interviewees, both union officials and workers, felt that this was a deliberate and conscious decision to change the organisational culture, as even though these new SBS managers were more costly to employ, they could be used to culturally cleanse

the old Civil Service traditions. As will be discussed later in the chapter, the vast majority of former Civil Service managers left Durham National Savings on 'voluntary' redundancy, but they differed to new SBS managers in that they were career civil servants on standard terms and conditions of employment. The introduction of SBS managers and specialists from the private sector, working alongside ex-civil servants who remained on standard terms and conditions, resulted in the creation of a two-tier workforce, which will be analysed in chapter five.

The imposition of a new private sector management team to run NS&I was always going to create friction, particularly with the organisation having a long-established culture where workers used to regard themselves as having a 'job for life'. As has previously been mentioned, all employees have worked at Durham National Savings for a minimum of 15 years and this is exemplified in the 2000 PCS Branch Report, where 1 in 10 trade union members received their 25 year union membership awards (PCS, 2000). In the quote below, David talks of this friction between new SBS employees and ex-civil servants, who are having difficulty coping with SBS's rapid programme of change.

What workers [at National Savings] are now getting used to, which was a real shock at first, was **how quickly** it changes [post-PPP]. You spoke to people who would say, "Oh, I've worked for SBS for ages and ages" and it turned out it was three years, because SBS, as a company, expect that type of turnover. Whereas, I speak to people who are consultants and want to have a look at the new 'Imaging Kit', and they'll say, "How long have you worked here?" And I'll say, "Oh, 18 years." And they look at you like you're crazy! I'll say, "Go and talk to him over there, he's got 35 years in!" And they **can't believe** that people have worked here that long. (David, worker, interview, 2002)

The NAO Report states that there are a series of problems facing Siemens Business Services on this Public-Private Partnership deal. One of which is that they did not understand the challenge and scale of the business transformation, particularly in the case of IT – which will be discussed later in this chapter – where National Savings' processes are detailed and complex (NAO, 2003: 3 and 14). Moreover, senior union officials claim that during contract negotiations SBS tried to

gain control of National Savings' business policy, product design and pricing – which the Treasury remain in charge of - as they misunderstood the nature of the organisation and thought that it was a typical High Street bank, rather than the a public service. Therefore, through the acquisition of these controls, SBS assumed that they would then be able to significantly increase their profit margin by encouraging more NS&I business.

SBS is like any private organisation and doesn't understand what National Savings is about. They think it is a bank, they think that if they can convince government to produce more [NS&I] products, they can get more transactions and get more money. The problem is National Savings is not a bank, National Savings is a borrowing organisation for the government and, therefore, the government do not want to borrow their own products. (Steve, union official, interview, 2002)

The National Audit Report emphasises that the contract is more challenging than SBS originally anticipated (NAO, 2003: 3). This certainly appears to be true if SBS did not understand the nature of the organisation and simply thought that it would be easy pickings. Logan et al (2004) argue that in the private sector, outsourcings can be used to off-load problematic areas. This also appears to be the case in the public sector, where due to a lack of long-term government investment National Savings had become a stagnating public sector organisation. Indeed, 'New' Labour do stress that there are no easy PPP/ PFI deals and that the risk is completely transferred over to the private sector 'partner' (HM Treasury, 2000: 11 – 12). The NAO Report goes onto criticise SBS's initial running of the account in detail, stating that they underestimated the scale and complexity of the overall task, together with the management resources required to transform the organisation (NAO, 2003: 22). Again it is important to note that during the bidding stage, SBS proposed to run the account with fewer managers than EDS. Grimshaw et al (2002) argue that in PPP/ PFI deals, private sector managers are at an advantage as they are more likely to have greater experience of market-based contracting. However, this is not the case at National Savings as this is an entirely different operation, and senior union officials claim that all private companies would fail to understand the nature and ethos of the organisation. Indeed, the NAO Report states that instead of SBS employing a large

number of expensive management consultants at the start of the contract, they should have made better use of existing National Savings staff and their tacit knowledge (NAO, 2003: 22); a point which is reiterated in the worker interview quote below.

I really think a lot of things were underestimated by SBS, such as, the cost of changing over IT systems and the redundancy schemes. A lot of money was wasted on accountants and drafting people in from outside, without saying, "I told you so!", we had people who could have come up with exactly the same answer who were already working here. So, basically there was an awful lot of waste. I would say that the main reason for SBS's failures is just downright bad management. (Michael, worker, interview, 2004)

As mentioned earlier, SBS brought in their own external managers to run the account from the outset, but they were not experienced in managing an organisation such as National Savings (NAO, 2003: 22). Furthermore, the union rep quoted below claims that SBS do not understand the nature, nor do they appreciate the culture, of the organisation.

Well, it's quite clear that the SBS management team don't know what they're dealing with. There have been a lot of mistakes made in this [PPP] transition programme. SBS don't understand the organisation and they certainly don't understand the culture of the staff. (Steve, union official, interview, 2002)

It appears that SBS did not fully understand the history and traditions of National Savings. Instead, they planned their modernisation programme without fully taking on board the difficulties and complexities involved in organisational culture change.

SBS have invested heavily in the modernisation of National Savings with the aim of achieving their financial return in the long-term. However, the National Audit Report states that Siemens AG senior management were not informed by SBS of the escalating costs at an early stage of the PPP project (NAO, 2003: 20). From this information it appears that there were major financial problems from the beginning of the deal, and SBS presumably did not want to alert the parent company and hoped to ride out the storm. However, from as early as February 2001, only 22 months into this 10 year PPP contract, NS&I were aware of the spiralling costs incurred by SBS.



Yet, SBS continued to forecast a profit by hoping to make efficiency savings (NAO, 2003: 20). By April 2001 Siemens AG became actively involved at NS&I and sent in their own Internal Audit Team to assess the situation, as they were concerned about the continual fall in profits predicted by SBS (NAO, 2003: 22). The National Audit Report states that Siemens AG had to take action, otherwise SBS were going to make potentially significant losses on the contract. Siemens AG then took a much more hands-on role; they changed their management practices with tighter financial sign-off procedures, together with set monetary targets for SBS to achieve for each year of the PPP deal (NAO, 2003: 22). At the end of 2001 Siemens AG attempted to turn the situation around and brought in a new senior management team, predominantly from within their own organisation, to run the PPP contract at National Savings who were “known deliverers of change” (quoted in NAO, 2003: 3) and “Siemens people” (quoted in NAO, 2003: 22).

This change of management teams so early into the PPP contract indicates a different attitude on the part of private sector management, as they can be much more ruthless in their quest for efficiencies and profitability. I can recall a telephone conversation I had towards the end of 2001 with one of the union reps, who told me that “heads had rolled” and that SBS had informed staff that they were facing financial difficulties on this outsourcing. Indeed in the quote below, a union rep explains that it had become obvious to both the union and members that SBS were encountering financial problems, as Siemens AG had deployed auditors to check the accounts and then replaced the original SBS management team with Siemens ‘troubleshooters’.

If you take the view that management changes tell you something, and if you see everybody from the Managing Director down to the Account Director and the Human Resources Director taken out in a six month period and replaced by people who have been used to troubleshoot other Siemens businesses that are in trouble, then you draw the conclusion they’ve been brought in for a reason. If you see German accountants crawling all over the place, from [Siemens AG] Munich Headquarters, and big changes taking place after they’ve been in, then you draw the conclusion that something is not quite right. (Steve, union official, interview, 2002)



It soon became public knowledge at Durham National Savings that there had been major managerial changes at an early stage in the PPP contract; this fact also received substantial coverage in the PCS Branch Annual Report of 2001 (PCS, 2001a). Moreover, some of the union officials and workers interviewed claimed that SBS changed managers on a frequent basis. Many spoke of their concerns that SBS were bringing in managers to run National Savings who did not have a background in finance or accounting. However, this practice was also evident in the Civil Service under New Public Management, where senior managers from various private sector backgrounds were appointed as Chief Executives of newly established Agencies to help facilitate culture change (Fairbrother, 1994: ch. 3. Pilkington, 1999: ch. 7). The drafting in of external managers as executors of rapid change programmes also has parallels with other industries, for instance, in British Leyland (Willman and Winch, 1985), in British Rail prior to privatisation (Gourvish, 2002: ch. 8), and most notably, with the appointment of Ian MacGregor to run the National Coal Board, whose background was of 'macho management' in the steel industry (Beynon, 1985. Beynon and McMyllor, 1985). In the quote below, Kevin mentions this arrival of new SBS managers from different sectors of industry; and their plans on the use of 'leaner' working methods will be analysed in chapter five.

It is common knowledge that the PPP contract is not going according to plan. The original SBS management team were replaced by a new team of managers who were brought in to turn the contact around. They came from the Siemens Automotive side, so they're trying to put production line techniques into the office environment. (Kevin, worker, interview, 2003)

This arrival of the new SBS management team signalled an abrupt end to the 'honeymoon period'. The veneer of SBS keeping everyone on board was soon removed and workers were only too aware of this. In the quote below, Angela speaks of the worries and anxieties of many concerning these recent changes and the fear that there would be increasing stress and pressure on all employees at NS&I.

I thought working life would get a lot harder after PPP. Although there was this settling in period and you really couldn't tell any difference at first. I think SBS wanted to take the workforce with them with the 'Mr. Nice Guy'

approach, but now you've got the feeling that the 'bad guys' are coming in and really taking over. (Angela, worker, interview, 2001)

The National Audit Report outlines a number of 'lessons learned', one of which is that private sector 'partners' must recognise the challenges they face when taking on complex PFI/ PPP contracts where they have to deliver to tight timescales (NAO, 2003: 5). Not only have Siemens AG had to intervene to assist SBS, but NS&I have also had to "take remedial action" in order that this 'partnership' can achieve its original aims and objectives (quoted in NAO, 2003: 23). This resulted in the re-alignment of the contract in December 2001, where NS&I, Siemens AG and SBS all agreed to enhance the clarity of the contract, with the aim of running a low cost operation at National Savings (NAO, 2003: 26). However, this was not a re-negotiation of the deal, and the risk of running the operation remains with SBS (NAO, 2003: 23 and 26). Despite these difficulties, NS&I have not increased the unitary fee paid to SBS, which was agreed in the original PPP deal (NAO, 2003: 4 and 23).

The National Audit Report states that due to SBS being unable to transform the NS&I business as quickly as planned, they are failing to meet target deadlines and incurring more capital expenditure. Therefore, SBS are unlikely to make the financial returns they originally anticipated (NAO, 2003: 3). Indeed, by May 2002, due to rising costs, employing more staff, creating less Third Party Business and spending more money on site maintenance, the report states that the cumulative effect has "had a significant impact on SBS's ability to make its projected return of 8.7%, and it is more likely to make a loss" (quoted in NAO, 2003: 13). The report goes on to say that the only way that SBS are likely to make any profit at all is through the option to extend the contract from 10 to 15 years (NAO, 2003: 22 and 27). Hence, "the onus is on SBS to improve its loss making position" (quoted in NAO, 2003: 27); and I will go on to argue that this has placed huge pressure on staff in a desperate attempt to turn the contract around.

It is apparent that SBS did not do their homework thoroughly before tabling their PPP bid. Yet the pressure now falls on those on the shop floor to make this a profitable venture, even though the majority were against PPP from the outset. Hebson et al (2003) in their research on similar 'partnerships' found that there is a distinct lack of ex-public sector worker identity with private contractors, because

workers did not want to be outsourced, even though they were disenchanted with working life in the public sector. This is the same scenario at DNS&I, where dissatisfied civil servants did not want to be contracted out and cannot identify with a private sector organisation who have entirely different aims and objectives.

SBS have brought in a new management team partly because of the mistakes they've made on the contract and partly because of the financial pressures that they're now facing. Although one has contributed to the other, because if you make an arse of it, it costs you more money, so they've added to their problems. The new SBS management team appear to be remote because they are different, their agenda is different, their culture is different, their attitude is different and their understanding is little. They are remote to the staff and, in fact, the staff see them as an enemy, they don't relate to them at all. (Steve, union official, interview, 2002)

Under PPP, it was inevitable that there were going to be tensions and contradictions now that a private sector 'partner' was running operations and attempting to transform the organisational culture.

With the imposition of a new management team by Siemens AG to run the account, there was a shift in focus to introduce more widespread changes with a renewed stress on running the organisation as a business. Workers interviewed at DNS&I did notice a distinct shift in management styles, with the emphasis being very much on profitability.

These days SBS management don't seem to be staff orientated, you know, they're driven by profit. For the first couple of years they never mentioned profit, but lately they've started introducing that into their reasoning. (Colin, worker, interview, 2003)

Hebson et al (2003) write about the tensions and contradictions over new lines of accountability in PPP/ PFI deals, as private sector company loyalties are first and foremost to their shareholders. Workers interviewed also raised this issue of now being accountable to Siemens AG shareholders, especially after SBS had changed management teams. This is radically different to how National Savings operated

under the Civil Service and many workers were cynical of SBS's emphasis on improving profitability and cost cutting.

You're made **very much aware now** that you are answerable to [Siemens] shareholders and that it's money-driven, you know, it is all 'business-needs' these days. (Julie, worker, interview, 2003)

SBS now emphasise profits all of the time, in management directives spending is reduced, budgets are reduced, training is reduced, travel budgets, you know...there's a squeeze on everything. (Doreen, worker, interview, 2003)

In their research on outsourcing between private sector organisations, Logan et al (2004) talk of the problems for managers in gaining the loyalty of new employees. This is particularly problematic in PPP deals between two distinctive sectors, as SBS are now under huge financial pressure to deliver change and become profitable. The 2001 PCS Branch Annual Report states that due to these difficulties, SBS presented road shows to staff entitled 'Building Tomorrow Today' (PCS, 2001a). As discussed in chapter two, Salaman (1997) and Kunda (2003) argue that such events involve cultural engineering and are aimed at winning the hearts and minds of employees. In these seminars SBS announced that the NS&I Account was not meeting the financial targets they had originally anticipated and that as a consequence, there was the possibility that there could be a pay freeze in areas of the Siemens business which were not profitable (PCS, 2001a). Obviously the union raised concerns about this proposal, but this also has serious implications for SBS in their quest to gain the loyalty and trust of the workforce, particularly as the majority of staff were opposed to PPP from the outset and are now told that they may not receive a pay rise because SBS made major errors when tabling their bid. Workers felt even more disappointed after the initial promises SBS made regarding new opportunities in terms of quality Third Party Business and personal development, only to be told four years into the PPP deal that SBS were facing severe problems (PCS, 2001a).

In the quote below, a worker talks of the demoralising effect that these SBS road shows have had on staff morale. He claims that the efforts of staff are not fully

appreciated by SBS managers, and that mounting workplace pressure on productivity and efficiencies is reaching intolerable levels.

Over the last few years we've had account road shows, where senior SBS managers have actually visited the Glasgow, Blackpool and Durham sites. They have actually stood up in front of an audience and talked people through how the account has progressed, why it lost so much money to start off with and where they hope to be in a year or so's time. They have gone into quite a lot of detail on that. But the problem is that SBS haven't inspired a lot of confidence in the fact that people already know that they're worked hard and there's very much a feeling that we're going to have to work **even harder**, as SBS keep talking about wanting more efficiencies and more savings. That is the undermining effect that this has on staff morale, you can tell the staff they're doing a great job, you can tell them, "Well done, you've done really well to get us where we are now." And they then turn around and say, "But, we want even more off you." And a lot of people can't give any more than they do now. (Michael, worker, interview, 2004)

In the interview quote below, a union rep also talks of how SBS came into National Savings with, to use Jason's quote "a blaze of fire", making numerous promises, but then failed to deliver. He goes on to discuss how the new SBS management team are attempting to impose an American 'macho management' culture at NS&I, which is different to the European, more co-operative, management style of Siemens AG.

SBS came in here telling everybody what a wonderful world they would bring in, the job opportunities, the career plans and what better managers they were. But they didn't realise that they were taking on office-factories and they've never run factories before. The average length of service here is 17 years, you know, these are people who are set in their ways. SBS think they can bring that gung-ho culture of the American board room in here and...you know, it isn't even German Siemens [AG] culture, because when our union reps go to meetings in Germany, people are totally different...they're more relaxed. Whereas this lot [SBS] have actually got more of an American

management culture, which they're trying to bring into the workplace, but you can't treat it like that. Just think about what the word 'culture' means, it grows, you can't impose it, and you certainly can't impose it reluctantly. (Steve, union official, interview, 2001)

Similarly, differentiation theorists argue that organisational culture change cannot be imposed on a workforce. Culture is historical and continually evolving, and managerial attempts at enforcing change are less likely to be successful at a deeper level (Siehl, 1985. E. Wilson, 1993). Moreover, as there is a long-established workforce at National Savings, attempts to change embedded cultural practices were always going to take a significant amount of time and effort.

The fear and uncertainty that were a direct result of numerous culture change initiatives, led to many workers opting to leave the organisation via 'voluntary' redundancy. I will now examine the redundancy exercises that have taken place at National Savings.

### **'Voluntary' Redundancy Exercises both Before and After the Public-Private Partnership**

A core theme of the thesis is the ending of the notion of National Savings being a 'job for life', and it is widely documented that over the last 20 years the world of work has undergone huge transitions with constant change initiatives, widespread job insecurity and redundancy programmes (Fowler, 1993. Burke and Cooper, 2000. Turnbull and Wass, 2000). Moreover, Heery and Salmon (2000) in their 'Insecurity Thesis' argue that there is growing job insecurity for those who work in occupations which were previously regarded as protected sectors, for example, the public services and Civil Service. Furthermore, those relatively high up the hierarchy, such as, middle managers who used to have safe and secure jobs, are now in precarious positions of employment. The 'voluntary' redundancy (VR) programmes at National Savings, together with restructuring initiatives, have effectively resulted in the layering of several managerial grades.

Business Process Re-engineering began at National Savings in the mid-1990s, to rationalise and modernise the organisation through investment in new IT systems (CPSA, 1996 and 1997). Proponents claim that BPR poses a set of radical questions

to re-evaluate the entire role of organisations (Johansson et al, 1993: ch. 2. Hammer and Champy, 1995). IT plays a crucial role in conjunction with BPR in the re-design of jobs, which will eliminate waste, reduce costs and increase profits (Johansson et al, 1993: ch. 1. Hammer and Champy, 1995. Peppard and Rowland, 1995: ch. 1). Advocates of BPR argue that it can also be applied to the public sector (Hammer and Champy, 1995. Peppard and Rowland, 1995: ch. 2), and that by cutting out unnecessary processes, it results in worker empowerment and job enlargement (Hammer and Champy, 1995: ch. 4. Peppard and Rowland, 1995: ch. 4). Hammer and Champy (1995) argue that BPR is about re-organising, not eliminating, jobs; but do acknowledge that it can result in job layering, particularly amongst middle management grades.

The trade union expressed concerns over the implications that the BPR programme could have on both the number and quality of jobs at National Savings (CPSA, 1996 and 1997). Indeed, Grey and Mitev (1995) have attacked the fundamental claims of BPR, arguing that far from it starting from a radical and fresh standpoint with no assumptions, it is in fact highly ideological as it is a top - down management philosophy which completely embraces capitalist values of increasing production through the use of IT. They argue that it is inevitable that BPR will create redundancies through the layering of jobs, resulting in an intensification of work for those who survive such programmes. Furthermore, Grey and Mitev cite the example of the banking industry where the implementation of BPR directly resulted in mass redundancies, despite the banks already making healthy profits. Harrington et al (1998) conducted research on the introduction of BPR in the Contributions Agency with the development of new IT processes, and found that BPR also led to big staff reductions.

Prior to the start of the 'voluntary' redundancy programmes at National Savings, there were efforts to cut staff numbers through natural wastage, due to the Conservative's attempts to reduce the overall size of the Civil Service and its decreasing use of the organisation for government funding. It is well documented in the redundancy literature that the use of natural wastage through recruitment freezes and allowing staff to leave via retirement or on health grounds, and purposively not replacing those who depart, is a painless and cheap method of cutting staffing levels, which is widely accepted by managers, trade unions and workers (Kemp et al, 1981. Wood and Dey, 1983. Martin and Wallace, 1984. Fowler, 1993). This policy was

used throughout National Savings as there had been no recruitment from the late 1980s onwards and this recruitment freeze had to have time to take effect to reduce staff numbers. Other methods to cut the staff surplus were a ban on overtime and the introduction of part-time working, and the vast majority of part-time employees at National Savings are women with child care responsibilities. The interview quote below contextualises the employment situation at Durham National Savings prior to the 'voluntary' redundancy initiatives, in light of the wider regional economy.

People just didn't leave [Durham National Savings] before the voluntary redundancy programmes started. It was perceived to be a good secure job, especially in this area, you know, with all the unemployment. (Angela, worker, interview, 2001)

It is also documented in the literature that rumours of redundancies can start on the workplace grapevine (Kemp et al, 1981. Wood and Dey, 1983: ch. 3). This also occurred at Durham National Savings and it became apparent to workers that the organisation was stagnating, with the possibility of major repercussions.

Management just weren't promoting anybody at the time...it was the start of the run down of the staff. It was probably the mid-'90s when you started hearing the rumours on the office grapevine of, "There's going to be redundancies" or, "We're going to be privatised." People were just retiring, they weren't bringing anybody new in, so obviously you could see that the staff numbers were starting to drift off. (Jason, worker, interview, 2003)

The 'voluntary' redundancy programmes at National Savings started before the PPP, after an extensive period of labour retrenchment. Redundancies took place through BPR with the movement from labour intensive work systems towards computerisation, creating a staffing surplus. Senior union officials claimed that redundancies also started as a direct result of government spending restrictions in the Civil Service.

Redundancies started before privatisation and were due to the government's financial controls, because National Savings management came to the unions



and absolutely honestly admitted that their cash limit would not allow them to pay their wage bill. (Steve, union official, interview, 2001)

There were four 'voluntary' redundancy exercises throughout the organisation when it was part of the Civil Service. The first tranche was in 1995 with over 300 staff leaving Durham National Savings. In 1996 several of the executive grades took 'voluntary' redundancy and at the start of 1997 there was yet another VR exercise, as there was a staff surplus especially amongst the administrative grades (CPSA, 1996). Just before the PPP, in early 1999, there were plans for another 150 employees to leave Durham under these arrangements (PCS, 1999a).

There is an inherent difficulty for trade unions in relation to both their influence and stance on the issue of redundancy. Firstly, the judicial interpretations of redundancy always favours management and by law managers only have to formally consult unions, rather than negotiate with them over redundancies (Fowler, 1993. Turnbull and Wass, 2000). Furthermore, as redundancy is under the control of management, this places unions in a weak position when trying to challenge the managerial prerogative, as managers can legally hire and fire at will (Wood and Dey, 1983: ch. 5. Turnbull and Wass, 2000. Rose, 2001). Hence, there are huge disparities of power as management decide when redundancy programmes begin and end, so there is no free and open consultation on such initiatives (Fox, 1973. Wood and Dey, 1983). Secondly, there can be a clash between the ideology of trade union officials who want to protect jobs and oppose redundancy, whilst union members may be more than willing to accept redundancies (Wood and Dey, 1983). This was indeed the scenario with all 'voluntary' redundancies at National Savings and this dilemma is well documented in successive trade union Annual Branch Reports (CPSA, 1996 and 1997. PCS, 1999a).

That's the anathema as a union rep - when you're arguing against redundancy and trying to look at the bigger picture, in terms of DNS&I being one of the biggest employers in the city and they're not our jobs, they're jobs for the community - is that the membership, because the redundancy arrangements are so attractive, were knocking on your door saying, "Why can't you negotiate for me to get my redundancy?" So, we almost had 2:1 applications for redundancy. (Chris, union official, interview, 2002)

Wood and Dey (1983) discuss this dilemma in their research into redundancies, where the trade unionists, with their socialist commitment to full employment, wanted to retain jobs on the principle that jobs lost through redundancy were community jobs that would be lost forever, which also makes the labour market worse for others (chs. 5 and 6).

The union Branch Reports from Durham National Savings also document what was a thankless task for the unions, where on the one hand they wanted to retain good quality public sector jobs with opportunities for members, yet they also have to negotiate the best possible deal for those who opt for VR (CPSA, 1996 and 1997. PCS, 1999a). I will now analyse the notion and nature of 'voluntary' redundancies, and then assess why workers were so willing to leave National Savings.

Critics argue that all methods of redundancy, whether voluntary or compulsory, are forms of controlling labour mobility both inside and outside of organisations, which are ideologically loaded concepts imposed by management in their own interests (Wood and Dey, 1983. Turnbull and Wass, 2000). However, it can be argued that voluntary redundancy is a lesser of two evils as it does give workers some choice via self-selection, albeit within constraints pre-set by management (Wood and Dey, 1983: chs. 5 and 6). Yet there is a compulsory element to all voluntary redundancies, as if there were insufficient 'volunteers' then management would be forced to cut staffing levels anyway, hence, this is all done under the illusion of choice (Wood and Dey, 1983: chs. 3, 4, 5 and 6. Turnbull and Wass, 2000). Thus, critics argue that any 'voluntary' schemes can be used by management to legitimise redundancies, and some union militants prefer the compulsory form as it reveals the true nature of capitalist accumulation and forced labour mobility (cited in Wood and Dey, 1983: ch. 6). 'Voluntary' redundancy is a way of workers doing management's dirty work for them, as they are helping to cut their own numbers (Wood and Dey, 1983: ch. 5). However, the final decision in the 'voluntary' redundancy process rests with management, as they decide which workers are allowed to leave and when, along with who will be refused 'voluntary' redundancy (Wood and Dey, 1983: chs. 3 and 4. Turnbull and Wass, 2000). As will be examined later, this procedure can be a very divisive process.

The trade union's fears over BPR soon became reality, as the exercise resulted in job losses. Indeed, critics such as Grey and Mitev (1995) have argued that BPR will inevitably lead to redundancies, constant changes and an intensification of work.

Throughout industry there are examples of programmes of rationalisation and mass redundancies both before and after privatisation. Roberts (1993) researched this in relation to the shipbuilding in Sunderland, as did Dudley and Richardson (1990) with British Steel. The same occurred during the privatisation of British Telecom and British Gas (Elsmore, 2001: ch. 4), along with British Rail and the water industry (Flynn, 2002: ch. 1). This is not the only similarity between large privatisation programmes and the PPP of National Savings, another is the willingness of workers to leave on 'voluntary' redundancy terms. Roberts (1993) found that many of the shipyard workers took redundancy because of growing management control, the intensification of work and the looming threat of privatisation. This was the same scenario at National Savings where workers had become disenchanted with working in the Civil Service, but there was also a widespread fear that under PPP the situation would become worse. Also, through trade union negotiations, there was a very attractive redundancy package available, which particularly favoured the over 50s who received early payment of their pension, plus a compensation payment. Hence, employee acceptance of 'voluntary' redundancy is a rational decision and personal solution to a deteriorating situation.

The big pay off was definitely one of the main reasons for workers taking VR. Also, the fear of the future, of how harsh a private sector employer would be; even though there's this myth that we've had it easy in the Civil Service. (Tracy, union official, interview, 2001)

There have been a series of extensive 'voluntary' redundancy exercises carried out by SBS since the start of the Public-Private Partnership, the final one being in March 2003, which has seen the headcount at NS&I reduced from 4,100 employees to 2,000 (NAO, 2003: 2). So the initial concerns of workers that staff numbers would be cut in half after the PPP have actually become the reality. Hence, there has been a huge downsizing exercise throughout National Savings, which has resulted in staff numbers at the Durham site being reduced from approximately 2,000 to 500, in less than a decade. Yet those remaining are still having to deal with the same amount of work (NAO, 2003: 2); and under-staffing through VR will be discussed later in this section. It was stipulated in the contract that SBS had to reduce staffing levels as part of Business Process Re-engineering and rationalisation (NAO, 2003: 8). Similar

redundancy measures have been included in other PPP/ PFI contracts (Grimshaw et al, 2002. Hebson et al, 2003). Moreover, job losses after privatisation are a common theme in the extant literature, either through early retirement (Thomason, 1995) or through mass redundancies, as in the case of the sale of the telecom, gas and electricity (Allington, 1995). Of the 2, 100 who have left the organisation since PPP, the vast majority, some 1, 200 took 'voluntary' redundancy, 250 left through natural wastage and 650 were redeployed on Third Party Business (NAO, 2003:2). As redundancy payments are protected under TUPE law (Rose, 2001: 640), VR costs at National Savings are potentially huge. Therefore, another aim of the PPP is to create new Third Party Business to save on redundancy payments. However, as SBS are motivated by profit, they have been more ruthless in cutting staffing levels at National Savings, because the main costs of running the operation come in the form of wages. This method of conducting an often over-zealous redundancy programme in order to reduce wage costs is common in the private sector (Morgan, 1995. Burke and Cooper, 2000. Worrall et al, 2000).

Turnbull and Wass (2000) argue that management often announce large-scale restructuring programmes whilst simultaneously offering redundancy, knowing full well that such changes will persuade a number of workers to 'volunteer' for redundancy. Furthermore, Fowler (1993) claims that organisations frequently underestimate the number of employees who want to leave. This was certainly the case at National Savings where there was no shortage of workers 'volunteering' for redundancy, particularly post-PPP (PCS, 2001a). The two major reasons for the vast number of workers wanting to leave on VR terms were, firstly, dissatisfaction with the commercial direction the organisation was taking after PPP, and here yet again the fear factor of employment insecurity is prominent; and secondly, the generous payments on offer.

What's had a big impact [at DNS&I] is the voluntary redundancy programmes and, to be perfectly honest, people have walked out under Civil Service terms with massive amounts of money. It's just so SBS can get the staffing numbers down. So people who wanted out, people who didn't like the changes, have made a small fortune. (Doreen, worker, interview, 2003)

Redundancies affected all grades at National Savings, particularly the managerial grades where there was large-scale delayering. This was part of on-going attempts by SBS to change the workplace culture, which was further transformed by the introduction of Team Working and Open Vacancy Advertising - this will be addressed in chapter five. Several of the workers interviewed spoke of this delayering and how many of the ex-Civil Service managers had decided to 'take the money and run'.

There was a delayering of management and you kept hearing people say, "The managers are starting to jump ship." And obviously you were wondering, what's going to happen next? The redundancy packages were good, you know, there were no 'ifs' or 'buts' about it. (Jason, worker, interview, 2003)

However, under 'voluntary' redundancy arrangements, management retain the power to make the final decision as to who is allowed to leave the organisation and they can refuse VR under the management prerogative (Wood and Dey, 1983. Turnbull and Wass, 2000). In the case of National Savings this refusal was down to 'business need'. In the quote below, a union rep talks of the problems for the unions over VR and the criteria laid down by management.

VR was a difficult issue for the unions. As long as everyone got the actual package and there wasn't any overt cherry picking in terms of, "You have to go and you have to go", within the framework of selection, then that was fine. Now there were a whole range of things they looked at, such as, age and financial impact, because you could have one member of staff who was worth £100 grand, and you could have lost five others who were going to get £10/ 12/ 15/ 20 grand. So, obviously those actual figures and the money that was available for redundancy was part of that formula. The other thing was specialism, those with key skills, such as, accountancy or IT were required in the business and ineligible for VR. (Chris, union official, interview, 2002)

However, as the key decision over who was accepted for VR was down the prerogative of management, and seeing as many more workers wanted to leave

National Savings than stay, the process was divisive. Alan attempted to leave earlier, but was refused due to 'business need', as the skills he had were required at that time, and also due to cost, because he had worked there for over 25 years. However, he did leave in the next 'voluntary' redundancy tranche.

There was definitely a change of attitude from some workers regarding 'voluntary' redundancy after part-privatisation, indicating a lack of identification with SBS and a view that they had skills and experience which were marketable outside of the organisation.

At first, I would have been devastated if I'd been made redundant. God, I would have filled my pants! But now I just think, "So what?" I'll walk out of here with £50, 000 in my back pocket and I know I'll get another job. And I think most people feel the same way now. (Julie, worker, interview, 2003)

I want to argue that workers were active and pragmatic in assessing the situation regarding redundancies at National Savings, as they had to weigh up the opportunities on offer and decide what appeared to be best option available to them at the time. Wood and Dey also claim that workers interests vary over time and depend on particular circumstances as workers do have choices, even though such opportunities are restricted (1983: ch. 6). One of the main advantages for older workers accepting 'voluntary' redundancy were the generous payments on offer. For those who had worked there for the vast majority, or all, of their working lives, it meant that they did not have to work again as their financial worries were now over. For younger workers, the good VR pay-off gave them the opportunity to restart their careers. Obviously those who left Durham National Savings on VR terms went on to take up a wide variety of opportunities. Regarding two of the three research interviewees who left via VR, one started his own business and one went on to do voluntary work. One worker interviewed told me about a manager at Durham National Savings who left the organisation on a Friday afternoon under VR, only to be re-employed the following Monday morning by SBS as a short-term consultancy specialist. This links in with criticisms made in the NAO Report of SBS not making effective use of existing managerial skills and knowledge, as this person was now employed on a much enhanced rate of pay.

The third research interviewee who left on 'voluntary' redundancy was Jason, who spoke at length of his reasons for leaving and the career path he took afterwards. Jason felt that his time was up after the PPP, with the run down of staffing numbers and the lack of new Third Party Business arriving. At the time, he was either re-deployed to the Passport Office in Millburngate House to help clear the backlog of work, or he was put on 'weeding', which was one of the most demeaning tasks, and was basically waiting until he could leave on 'voluntary' redundancy.

Everybody said, "Once you're on 'weeding', that's it, you're finished!" They just had odd tasks they wanted completing that hadn't been done for years; we were ripping up old files that had been there from the year dot! They supplied you with gloves and bibs to wear, because the job was filthy. (Jason, worker, interview, 2003)

Jason spoke as to why he took the key decision to leave Durham National Savings on 'voluntary' redundancy. The various reasons why workers choose this option are discussed in the literature on redundancy, involving: major upheaval, dissatisfaction with one's current employment situation and uncertainty of the future, particularly when workers have families to support (Kemp et al, 1981. Martin and Wallace, 1984. Roberts, 1993).

I was 36 years old, I'd been working there since I was 16 and I had 20 years service in. I was stuck in the same AA grade and I was, more or less, doing the same type of job as I was when I started. I thought, "Well, I need to move on. I need a new challenge." People said, "You're married with a family, you've got a mortgage and three kids. Do you think it's a good idea?" And I said, "Look, if I don't go now, I never will. I'm going to be here until I retire, which could be another 20 years." So, in the end, I filled my VR form in and was successful. (Jason, worker, interview, 2003)

Jason was one of a cohort of 112 who left Durham National Savings on 'voluntary' redundancy that day. He was out of work for exactly twelve weeks and applied for a job in another Civil Service department. He went for the interview, was successful and ironically started work again as an Administrative Assistant; only this

time he was determined to be more successful in this Civil Service department. Moreover, in his first two years in this new job Jason has been promoted twice, and is currently working in a managerial grade. Hence, he feels that leaving DNS&I has been the best thing career-wise that he has ever done, and it just shows how talent and potential were wasted at National Savings.

Ironically, I've gone back to work in the Civil Service. I was lucky really, I got my VR payments and then I've gone back in [to the Civil Service], started off as an AA and, more or less, doubled my wage in 3 years, from what I actually started on, because of my double promotion. I've been able to better myself through that and the chances I've had in this new department. (Jason, worker, interview, 2003)

However, there is a major contradiction at play here, despite the claim that redundancies at National Savings are made in the interests of greater efficiency. After the PPP, all workers who opted for 'voluntary' redundancy were made redundant by SBS, a private company, and they can then obtain new Civil Service jobs and retain their redundancy payments. However, prior to PPP all workers who left National Savings and went to work for another Civil Service department would have transferred directly over with no cost to the tax payer. This system of redundancy after PPP is highly inefficient and Jason is not the only worker to have left National Savings and gone back to working for the Civil Service. In the quote below, a union rep talks of ex-GNS&I staff joining the Ministry of Defence (MoD) in Glasgow and ex-DNS&I workers joining the United Kingdom Passport Service (UKPS) in Durham. Hence, some workers are certainly doing well out of this new arrangement.

Some workers who have taken VR from National Savings have actually gone back into Civil Service jobs, after they've been privatised. There are now people from here [DNS&I] working in UKPS, who walked out with redundancy takings, which is very inefficient for the government. In Glasgow they're going to the MoD, as there's a big recruitment drive going on now. So, the taxpayer is paying for these redundancies and they're then



going back to work for the taxpayer again. (Steve, union official, interview, 2001)

All of the workers interviewed who had left Durham National Savings under 'voluntary' redundancy said that they no regrets about leaving, as they all had growing fears concerning their employment status and security after the PPP. The only thing they missed about working at Durham National Savings was the social aspects of work, especially the long-term friends that they had made over the years; Wood and Dey (1983) also uncovered this in their research on redundancies. Alan claimed that if National Savings had not become a PPP, then he would still be working there now, which shows both his identity and attachment to the Civil Service. All of those who left Durham National Savings went on to take up fresh opportunities and challenges, from a previously deteriorating situation. Burke and Cooper (2000) argue that those who leave organisations through redundancy can actually be in a far better position than those who remain.

The recent literature on redundancy addresses the problem of 'survivor syndrome', where redundancy can damage the culture of an organisation as it actually compounds job insecurity, rather than alleviates it (Turnbull and Wass, 2000. Worrall et al, 2000). This is indeed the case at National Savings, as workers are moving from the safety and sanctuary of a 'job for life' to the uncertainty of a PPP, whilst seeing vast numbers of their colleagues leave via 'voluntary' redundancy. These changes can also create a response of mistrust amongst workers, who are then forced to work even harder due to competitive pressures through redundancy (Burke and Cooper, 2000. Turnbull and Wass, 2000). All of the workers and union officials interviewed spoke of how SBS had carried out an over-ambitious redundancy policy of allowing too many staff to leave in order to reduce costs, whilst simultaneously increasing pressure on those workers remaining.

Obviously being a private company, what SBS wanted to do was try and balance the books, as the biggest bill is the wage bill. One of the simplest solutions was to get rid of people through voluntary redundancy programmes; for which I applied, but I wasn't successful, so I'm still here. There were a lot of people who wanted to leave, so over the first two or three years of Siemens reign people did take that opportunity and, if they were lucky

enough, they got their redundancy and moved on. But for those of us who are left, obviously we're seeing the other side of the coin which is where far too many people were released and the problem is now that there is more of a reliance on agency staff. (Michael, worker, interview, 2004)

The PCS Branch Annual Report of 2001 refers to union concerns over correct staffing levels at DNS&I in order cope with training and annual leave requirements, and the fact that there is now too much work being handled by too few staff (PCS, 2001a). This is best exemplified by SBS's reliance on overtime and the greater employee costs associated with it, particularly in the correspondence and computer areas. There is also the employment of private sector agency staff by SBS, who are cheaper to hire and easily disposable, and this two-tier workforce will be analysed in chapter five. This issue of under-staffing and subsequent work intensification is not unique to this PPP. Hebson et al (2003) also uncovered similar examples in their research on other 'partnership' deals, and O'Connell Davidson (1994) also found inadequate staffing levels and sweeping organisational changes after the privatisation of the water industry.

### **The Problems Associated with Technological Modernisation**

As stated earlier in the chapter, modernisation started under Business Process Re-engineering when National Savings was still part of the Civil Service. The aim was that the organisation would be able to offer a broader range of services, in line with other modern financial institutions, and consequently better able to attract a younger and more dynamic customer base. Yet, National Savings was sadly lagging behind the pack. Automatic Teller Machines had been widely used in commercial banks from the 1980s onwards (Banks, 2001: ch. 2). Similarly, telephone banking was introduced in the mid-1980s (Wright, 1991: 168. Banks, 2001: ch. 2), which led to the creation of the call centre banking industry, which progressed on to web banking in the mid-1990s (Banks, 2001: ch. 2). Another technological development was the start of sales tracking, where financial institutions would target the needs of customers (Wright, 1991: 168). Several of these modern banking methods were to be introduced into National Savings under BPR, namely: the call centre, telephone

banking, the data warehouse, the launch of the NS&I website, the creation of web banking and, in the near future, the use of Automatic Teller Machines.

The computerisation of National Savings started in the mid-1990s with the conversion of all manual records. At the time, all computer work was done in-house by National Savings IT teams and in the second worker quote below, Doreen argues that with regards to IT security, National Savings were the leaders of the pack.

We built all of the IT systems in-house at National Savings. We created it with our own staff, they maintained, developed it, enhanced it and it was no problem at all. It was a big change from manually authorising things to doing things on-line, and I thought we did it quite well. (Colin, worker, interview, 2003)

Basically, National Savings were leaders in the game in terms of IT security. Now virtually every company, including Siemens corporately, are making a big issue about IT security, they're really pushing security issues. We've been there and done that. (Doreen, worker, interview, 2003)

Under BPR, the long-term plan was to move away from the old 'Legacy' mainframe computer system, where each National Savings product was on a separate customised software package, to all products being on one IT platform (CPSA, 1997). However, there were technical problems with the migration of the first product onto a new IT platform and everything was subsequently put on hold during PPP negotiations (PCS, 1998). One of the main aims of PPP was that a private sector 'partner' would provide the required capital investment, new technology and expertise to successfully carry out this BPR exercise. The use of private sector skills and innovation are the foundation of other 'partnerships' programmes (see Grimshaw et al, 2002. Hebson et al, 2003). After the Public-Private Partnership was agreed, SBS argued that the current IT system would be unable to deliver re-engineering, so they replaced the 'Legacy' system with 'Tahler', a commercially available banking IT platform (NAO, 2003: 2 and 15). The plan was that this new 'Tahler' system would be able to manage: sales, repayments, accounting, customer management and central administration (NAO, 2003: 9). Moreover, through this new system National Savings would be able to develop a data warehouse (NAO, 2003: 10).

Whilst the introduction of this new 'Tahler' system at National Savings sounded fine in theory, there were a series of practical problems which plagued its development. Some of the research interviewees spent part of their careers working in the IT department and stated that the 'Tahler' system was an off-the-shelf Belgian IT package, which had to be adapted to meet the needs of National Savings. SBS decided to bring in Tahler's developers from Belgium as external IT consultants to assist in this process (NAO, 2003: 15), yet there were problems with communication and linguistics, as the interviewees below explain.

SBS said, "We have the IT package that'll help you [NS&I] modernise." Unfortunately 'Tahler' was a package designed in Belgium, it wasn't exactly what we wanted, so it had to be manipulated to fit our needs. There just seemed to be communications problems because the consultants were Belgian and we had a lot of them over in England. (Alan, worker, interview, 2003)

Since the PPP we've had a lot of IT consultants in; in fact I'm working with about 30 consultants from Belgium now. There are language problems because all of their IT code was initially written either in French or Flemish. So when our staff tried to take over the work, obviously all the codes were written in a foreign language. (Colin, worker, interview, 2003)

SBS's aim was to migrate all of the currently available National Savings products from the old 'Legacy' system over onto 'Tahler' (NAO, 2003: 15). It was imperative that this new 'Tahler' system was both efficient and effective, because 'Legacy' was clearly not up to the task in hand as it was rapidly running out of application numbers to issue (NAO, 2003: 16). Under the PPP agreement, the migration of products onto 'Tahler' had to be carried out to a strict timetable (NAO, 2003: 2). However, there were continual problems with the migration of products (NAO, 2003: 16). Yet despite the re-assurances from SBS management and the claims made in the NS&I Product Account Report of 2002 that steps have been taken to rectify the problems with the 'Tahler' system (NS&I, 2002), these IT difficulties continued (NAO, 2003: 16).

The National Audit Report makes it clear that SBS "significantly underestimated the challenge of transforming the old business" (quoted in NAO,

2003: 15), and did not thoroughly conduct their groundwork before tabling their bid. It is clear that SBS failed to appreciate the complexity of National Savings' products and processes, and the difficulties associated with transferring products onto the new 'Tahler' system (NAO, 2003: 3 and 15). National Savings offer a range of products including prize draws and savings accounts, which vary in terms of: accessibility, interest rates, maturity, etc, and are, therefore, housed in around 60 separate bank accounts. Indeed, the National Audit Report is damning in its assessment of SBS's attempted solutions, stating that "tracing the precise cause of problems was slow and rectification of problems even slower" (quoted in NAO, 2003: 16). All of the research interviewees were well aware of the IT problems that SBS were experiencing and they also reiterated the points made in the National Audit Report.

Well, products are migrating across onto 'Tahler' as we speak, they're not all fully there, but it is happening. What SBS didn't realise is the scale of the job, they thought all products were the same and you just moved them across onto a common platform. But we've got Premium Bonds which isn't an interest-based product, it's a prize draw product; there's a whole different range of products. I don't think SBS really did their research to understand our business. (Chris, union official, interview, 2003)

Due to Siemens Business Services failing to meet the required IT targets and falling behind schedule, there was even more pressure placed upon IT consultants to migrate NS&I products onto 'Tahler' as quickly as possible (NAO, 2003: 16). There was also a frequent reliance on overtime in the IT areas. This led to SBS implementing IT system fixes without thorough testing (NAO, 2003: 16), which only compounded the existing problems.

If the government had done this, they'd have tested it, ironed out the blips and the people issues, and then launched BPR. SBS launched and then tried to iron out, because they want it done quickly. They want everything done yesterday. (Steve, union official, interview, 2002)

The National Audit Report also criticises SBS's poor management because they failed to carry out an IT strategy review, which would have identified the problems

and weaknesses associated with the transferring of NS&I products onto the 'Tahler' system (NAO, 2003: 20).

Despite the problems documented above, SBS have been able to successfully transfer a number of products onto the 'Tahler' system. The NS&I Product Account Report of 2002 states that 4 out of the 11 products available were now on 'Tahler' (NS&I, 2002); and the National Audit Office reports that this had increased to 6 products by 2003 (NAO, 2003: 35). However, this migration of products onto one IT platform was a massive exercise as NS&I have 30 million customer accounts to deal with (NAO, 2003: 15). The migration of products onto 'Tahler' is continuing, yet a significant number of accounts are still on 'Legacy', or even processed manually (NAO, 2003: 35).

However, this does not get away from the fact that Siemens Business Services failed to achieve full business transformation under BPR by the agreed target date of December 2000 (NAO, 2003: 13 and 17). As this was a clear breach of obligation, SBS incurred a substantial fine (NAO, 2003: 17 and 33). Moreover, SBS have also failed to complete the migration of other products onto the 'Tahler' system by the deadlines set in the PPP contract (NAO, 2003: 3 and 16). Such fatal errors have led to escalating costs on the account (NAO, 2003: 10), which subsequently has had a negative effect on profitability (NAO, 2003: 13); all of which contributed to the change of management teams by SBS. In a similar study on 'partnerships' carried out by Grimshaw et al (2002), there were also contractual deadlines for IT improvements with the imposition of financial penalties for failure to comply, yet in their study the public sector bore the brunt of rising IT costs. However, this is not the case at National Savings as the risk of delivering BPR is clearly outlined in the contract and the private sector must comply with tight contractual specifications, or pay the penalty.

The new NS&I website was launched in July 2002 with a new feature, as products can now be purchased on-line (NAO, 2003: 9). Furthermore, SBS have invested heavily in new 'Imaging' technology (NAO, 2003: 20), whereby the aim is to cut costs and simplify operations by reducing the number of manual processes through automation (NAO, 2003: 14).

SBS are bringing in an awful lot of new machinery. We've got four Enveloping Machines, two are running and two are currently being built, and

they are worth a shade over £500, 000 each! I think in total there's about £6 million worth of machinery coming in, which will increase our capacity and it gives us the chance to look for other Third Party Business. (David, worker, interview, 2002)

As the interviewee above states, SBS's plan is that through the introduction of 'Imaging', they can now bid for more Third Party Business and re-deploy surplus staff. However, due to problems in attracting Third Party Business – which will be analysed later in this chapter - SBS decided to further reduce the headcount through redundancy.

The main way SBS have tried to reduce staff numbers is by investment in technology. And some of the things that come to mind are the 'Imaging Systems', whereby rather than key in every application with all of the customer transaction details on, it's all captured via 'Image' and automatically updated. So there have definitely been improvements in technology and that's led to staff going on redundancy. (Kevin, worker, interview, 2003)

The National Audit Report states that the new technology introduced by SBS compares favourably when benchmarked against other leading organisations (NAO, 2003: 2). However, due to a lack of investment when it was part of the public sector, National Savings has fewer automated processes than their outside financial competitors (NAO, 2003: 31). Yet the report criticises the quality of the scans from the 'Imaging' technology as this has led to errors; although SBS are addressing this problem (NAO, 2003: 14). Indeed, the report criticises SBS management for their over-reliance on 'Imaging', arguing that it would have been better to develop more cost effective sales channels, such as, the internet and telephone banking (NAO, 2003: 20).

There were already plans to develop a call centre when National Savings was still part of the Civil Service (CPSA, 1996), but this only really took effect after the Public-Private Partnership when SBS started to re-engineer the business (PCS, 1999a). The aim was that the call centre would change the organisational culture and help attract a more diverse customer base. Indeed, it is widely documented that the

first call centres were developed in the banking, insurance and financial services industries (Taylor, 1997. Taylor and Bain, 2001. Belt et al, 2002). As these companies were the pace setters, their competitors, including NS&I, were soon forced to followed suit.

NS&I have two Customer Contact Centres, at their Blackpool and Durham offices, employing around 60 and 40 members of staff respectively. There is a mixture of male and female staff, working full-time and part-time in the call centres. The majority of NS&I call centre employees are women; in keeping with the general nature of such employment settings (Belt et al, 2002). The Customer Contact Centres are seen by SBS as an area of growth at National Savings. Yet due to a lack of volunteers, outside agency staff have been drafted in to work in these sections. Regarding their development, the NS&I call centres were originally contact and service centres. In January 2002 they also became sales centres, where customers could buy products over the phone through a NS&I debit card (NAO, 2003: 9). The NS&I Customer Contact Centres dealt with 1.7 million calls in the year 2001/ 2002, which was a 57% increase on the previous year and 10% of calls resulted in sales (NAO, 2003: 9). By 2001 the call centres were open 24 hours per day, 7 days per week (PCS, 2001a. NAO, 2003: 9); in line with other banking organisations, with mixed patterns of shift working (Rebouillon, 1998). In the Customer Contact Centres there are performance targets which are tied to Key Performance Indicators, which are also commonly used in other call centres (Carter et al, 1992: ch. 5. Taylor and Bain, 2001). SBS's plan is that through the development of the Customer Contact Centres, they will be able to bid for more Third Party Business (NAO, 2003: 23). The Customer Contact Centres have been benchmarked and compare well with similar organisations, but there are plans to make improvements in the monitoring of calls (NAO, 2003: 8 and 31).

When SBS proposed the introduction of the Customer Contact Centres at NS&I, the trade union immediately registered concerns over the reputations of call centres for being modern day sweatshops with poor health and safety provisions (PCS, 2000). As Taylor and Bain (2001) discovered in their research, unions have been able to exert their influence to escape the more oppressive aspects of call centre work. The union at NS&I were able to negotiate a compensation package for workers who volunteered to move into the Customer Contact Centre, as due to shift working they would have to give up their current flexi-time arrangements.



There is a flexi buy-out for those workers moving to the call centre, you get either a £2, 500 lump sum or you get £500 and 5% on your pay. So, obviously the 5% option is what the union advise members to take because it's there forever. (Paul, union official, interview, 2003)

The PCS union had originally argued that opening the Customer Contact Centre on a 24/ 7 basis was unnecessary, and after a trial period SBS conceded the point and calls are now taken from 7am until midnight, 7 days a week. The PCS union have negotiated that calls can be monitored for training purposes only. Whilst there is also a union agreement on staff having rest breaks, union reps argue that managers are not encouraging staff to take their breaks and the union are concerned that the Customer Contact Centre is starting to head the way of other call centres.

The poor public perception of call centre work has led to the development of a two-tier workforce at NS&I. Various social researchers have found call centre work to be pressurised, repetitive, routine and relentless, with a lack of worker control (Taylor, 1997. Taylor and Bain, 2001. Belt et al, 2002). This generally held view of such employment resulted in too few NS&I staff volunteering to move into the Customer Contact Centres. SBS decided to draft in around 20 agency staff on lesser terms and conditions, and these peripheral employees are required to work the unsociable hours that core staff were unwilling to do. This two-tier workforce would not have happened under the Civil Service and is a clear break from the past. Staff at National Savings were also fearful that SBS's plans to court more Third Party Business could result in more workers being forced into call centre work.

Unfortunately I did not have the opportunity to interview any workers from the Customer Contact Centre at DNS&I, but other workers said that there was pressure to deal with as many calls as quickly as possible, as is common in most call centres (Taylor, 1997. Taylor and Bain, 2001. Belt et al, 2002). Again, as with other call centres, staff at NS&I have to follow scripts and prompts with each type of call they deal with (NAO, 2003: 37) and there are also tight wrap-up procedures, being the time between the end of one call and the start of another. However, many of the research interviewees claimed that this type of pressurised approach to banking was inappropriate to the culture and ethos of National Savings, as it traditionally has an older customer base. Hence, many customers are ill at ease with the imposition of

strictly scripted and timed calls, and preferred to chat on the phone in a more relaxed and friendly manner.

As mentioned earlier, the performance of the Customer Contact Centres are tied in with Key Performance Indicators and also team targets, which have recently been introduced. SBS are paid a fee by NS&I on the number of calls dealt with per year, but at the beginning of the contract SBS had workers from Customer Contact Centres phoning up customers to boost their call ratings, hence, they were cream skimming certain KPIs. Whilst this has now been rectified, other researchers have questioned whether call centre work is really about delivering a quality customer service or more about enhanced performance statistics (Belt et al, 2002); which is exactly the same point made by the worker quoted below.

Under SBS there is now more emphasis on KPIs and team targets. The call centre is very much targeted with regards to the number of calls answered, **not calls resolved!** Working in the call centre involves more pressure, more stress and obviously, as people get older, more health-related issues as well. (Michael, worker, interview, 2004)

This evidence seems to reassert the arguments made by Taylor and Bain (2001), that call centre workers are opposed to the pressure of targets, the timing of calls and the lack of adequate rest breaks.

### **The Emerging Complex Web of Third Party Business and Further Outsourcings**

Thousands upon thousands of workers across the globe have been affected by the outsourcing of work and this is a practice which has predominantly been carried out by multinational corporations (Elger and Smith, 1994a. Klein, 2000. Logan et al, 2004). However, this is not a new phenomenon, as the outsourcing of work through subcontractors was developed in Japan from as far back as the 1920s (Elger and Smith, 1994b), and rapidly spread throughout Japan from the 1970s (Jarillo, 1993: ch. 5. Elger and Smith, 1994a). Moreover, from the 1980s there has been a huge growth in the worldwide outsourcing market (Lacity, 1993: ch. 2). Proponents argue that the main advantages are strategic, as once peripheral work is outsourced, organisations

can then focus on core competences and branch out into new markets (Milgate, 2001: ch. 1). Hence, through outsourcing, organisations can reduce their costs, whilst simultaneously increasing their overall competitiveness (Jarillo, 1993: ch. 4. Lacity, 1993. Watson, 1997. Milgate, 2001: ch. 4). However, all of these claims are hotly debated and contested.

As mentioned earlier in the chapter, outsourcing in the Civil Service began with Compulsory Competitive Tendering and Market Testing in the 1980s and 1990s with the main aim of reducing costs. The process continued under the Public-Private Partnership programme, where at National Savings the whole service delivery was outsourced to SBS. Yet what is new and different under this PPP arrangement is that SBS can now bid for Third Party Business (TPB), being external contract work carried out using existing staff and resources. The fact that SBS can now acquire Third Party Business is one of the advantages of the PPP deal as, rather than making staff redundant, SBS can now re-deploy employees to new insourced work; although the union argue that there is no reason why this could not have happened under the Civil Service. In the interview quote below, a union rep explains that during the bidding process both SBS and EDS had to demonstrate how they were going to create new Third Party Business; as neither NS&I management nor the union wanted the organisation to go down the same road as the UK banking and financial services industries, where 75, 000 jobs were lost between 1990 and 1992 due to modernisation (Leyshon and Thrift, 1997: ch. 6).

The case for Third Party Business was that if we go with this modernisation programme, the 4, 100 jobs that exist at the moment will be reduced to 2, 500 or even 1, 500 - as happened in the financial services industry in the 1990s - this could happen to National Savings, the absolute **gutting** of the industry by technology. But a private company could use the existing skills and resources to court new work. SBS and EDS in the bidding stage had to show how they were going to create new Third Party Business. (Steve, union official, interview, 2001)

Hence, 'New' Labour claim that one of the advantages of PPP is the commercial dynamism and innovation of private sector 'partners' who can bid for Third Party Business (HM Treasury, 2000). The union also support this notion as a realistic

alternative to redundancy, where workers have new opportunities and can develop new skills (PCS, 1999a). Whilst in theory both SBS and the union are in favour of Third Party Business; in practice, tensions soon arose regarding the quality of such new work and employee terms and conditions, as a more complicated picture of insourcing and outsourcing emerged.

Once they were successful in winning the PPP contract, SBS informed staff of their plans of attracting a variety of quality Third Party Business contracts to National Savings. Together with the new investments SBS have made with IT technology via 'Imaging' and the Customer Contact Centre, they hoped to be even more competitive in this new insourcing market (NAO, 2003: 23). Furthermore, due to the restructuring and redundancies that have taken place at NS&I, large areas of office space are now available for third parties to rent out (NAO, 2003: 14). From January 2004 there were huge adverts placed outside DNS&I offering prime office accommodation in Millburngate House, ranging from 5, 000 to 27, 000 square feet, and NS&I and SBS share the proceeds from any new renting arrangements. SBS also created a 'Development Bank' where there would be a pool of workers who would be trained up and ready to be re-deployed onto new Third Party Business (PCS, 1999a).

Despite the predictions made by SBS regarding the Third Party Business they would be able attract and the new employment opportunities they would bring into NS&I, for the most part, this failed to materialise. A number of worker interviewees mentioned how demoralised they felt quite early on into the PPP deal, particularly after SBS had built up their hopes regarding Third Party Business; and this is also documented in the trade union Branch Report of 2001 (PCS, 2001a). The National Audit Report states that SBS originally planned to create 1, 200 third party jobs at National Savings, but by 2003 they had only managed to create 650, just over half of their original prediction (NAO, 2003: 2 and 3). The union's fears of the 'Development Bank' soon came to fruition, as SBS did not invest in adequate training and resources (PCS, 1999a), and due to their failure to attract sufficient Third Party Business, the 'Development Bank' was soon abandoned.

[Over the issue of Third Party Business] SBS were mucking staff about left, right and centre. For example, we had thousands and thousands of pounds spent on consultants. One idea they came up with was to move a lot of staff

out of the 'ISA' account, including myself, and we were moved into what they called, in inverted commas, a 'Development Bank', or should I say, a **dumping ground!** But seeing as any Third Party Business was slow to arrive, I was moved back to National Savings work. So, on the one hand I was told, "You're no longer needed on the 'ISA' account, goodbye." Then a week later, "Come back, we need you on 'Savings Certificates'." (Michael, worker, interview, 2004)

There are Third Party Business contracts at both the Glasgow and Durham sites, but not at the Blackpool office (NAO, 2003: 14). GNS&I deals solely with SBS's biggest Third Party Business contract, where 550 workers have been re-deployed on back office work involving computerisation and data input for Barclays Bank (NAO, 2003: 9). SBS also have a Third Party Business contract with UKPS involving 50 workers (NAO, 2003: 9), again dealing with computerisation and basic administrative work of opening mail and scanning documentation, and this contract was won quite early on in the PPP deal (PCS, 1999a). Another TPB contract that was acquired at the start of the 'partnership' deal is the contract with [Siemens] Shared Accountancy Services Centre (SASC) (PCS, 1999a), again involving the transfer of 50 workers (NAO, 2003: 9), who deal with accountancy and expenses matters for SBS. A recently acquired Third Party Business contract at DNS&I involves the transfer of 15 workers to the Vehicle Operations Services Agency (VOSA), who are dealing with the automation of Ministry of Transport (MOT) test certificates. The TPB contract with the Immigration and Nationality Directorate (IND) is also relatively new, but this only involves 5 staff and is currently up for re-bid. SBS did also have another small Third Party Business contract with Coventry City Council, again involving back office work, but this only involved 3 workers and SBS have just lost the re-bid. The Treasury's *PPPs. The Government's Approach* published in 2000, cites National Savings as a fine example where a new private sector 'partner' has been able to create new opportunities and skills for staff by expanding the business (HM Treasury, 2000); however, none of the examples are detailed, nor are any of the difficulties and complications associated with this new insourcing of work.

Of the new Third Party Business that SBS have won at National Savings, all of it is basic administrative/ back office work and not one contract involves the

insourcing of highly skilled specialist work. Hence, this market is a race to the bottom where other organisations are farming out what they define as peripheral activities with the predominant aim of having tasks completed at a much cheaper price (Kamada, 1994. Klein, 2000: ch. 9); hence, the recent mass outsourcings of work to the Far East (Jarillo, 1993). Herein lies the problem for SBS, as due to National Savings staff having their old Civil Service terms and conditions protected under TUPE and a strong and organised trade union, they are expensive labour when compared to other outsourcing companies who are bidding for basic administrative work.

I think there's a number of driving factors as to why SBS cannot attract sufficient Third Party Business, and these are my assumptions. I think the outsourcing market is becoming much more competitive. I think because of TUPE, our workforce is out-pricing the outsourcing market – there's cheaper labour elsewhere. As most of the outsourced contracts will involve TUPE, there's not the same opportunity to re-deploy, it's not 'greenfield' business, most of it. And, therefore, all of those driving factors tell Siemens that this outsourcing game is not what they thought it was when they first took it on. (Steve, union official, interview, 2002)

One of the ways in which SBS management can get around what they see as 'the problem' of the high wages of NS&I staff, is to attempt to change terms and conditions through transferring staff to new work. This has not only led to union and worker resistance against a two-tier, and in some cases a multi-tier, workforce, but also creates a more complicated picture of the new Third Party Business being completed at NS&I. The union wanted NS&I staff to have the opportunity to move onto new Third Party Business and transfer over with their existing terms and conditions, and the union believed that SBS gave them this commitment at the start of the 'partnership' deal (PCS, 1999a). However, due to the financial pressures on the contract and SBS's inability to attract enough quality Third Party Business, they now want to be able to change workers' terms and conditions, and this has created a number of problems. Whilst some NS&I staff have volunteered to transfer over to certain Third Party Business contracts, the majority of workers have been transferred against their will. In 1999 this led to the union recommending that no workers

should volunteer to transfer over to new Third Party Business until the union were sure that the new terms and conditions offered by SBS were no worse than existing ones (PCS, 1999a). A number of other researchers have argued that outsourcing can lead to pressure to reduce wages and introduce a two-tier workforce which is divisive, adds to job insecurity and makes it all the more difficult to establish effective trade union bargaining (Elger and Smith, 1994b. Kamada, 1994. MacKenzie, 2000). The workers at NS&I are acutely aware of these dangers, they already feel that their employment security is under threat and are now faced with the possibility of being compelled to move to new Third Party Business.

On the Barclays Account, SBS insisted on setting up a different bargaining unit to the rest of the NS&I/ SBS Account. Hence, staff were unwilling to transfer over to this new work without their existing terms and conditions, coupled with the fact that much of the work is fast keying back office work. Due to a lack of volunteers, SBS management then decided to forcibly promote workers from Pay Band 1 to Pay Band 2 and then transfer them over to the new Barclays Account. In addition, because of the size of this new account, SBS have also drafted in a number of agency staff on lesser terms and conditions, creating a multi-tier workforce. The union are currently negotiating with SBS management to try to make these agency workers permanent members of staff, as PCS believe that they are a necessary part of the long-term viability of this insourcing contract.

There is a similar scenario at the UKPS, where the majority of the staff are civil servants employed by the Home Office. Those workers from National Savings who have moved over to UKPS through the Third Party Business contract are employed by SBS; hence there is a two-tier workforce in operation. Although some National Savings staff did originally volunteer to transfer over to UKPS, due to a lack of volunteers staff are now compelled to move, but all workers remain on NS&I/ SBS terms and conditions.

The VOSA Third Party Business contract also has a two-tier workforce in operation. The majority of staff at VOSA are civil servants, but the 15 workers transferred over from National Savings are employed by SBS. These workers remain on NS&I/ SBS terms and conditions, but there is a flexi-time buy-out as there is shift work in operation on this contract. Most workers on this new account volunteered to transfer over, including some from UKPS who did not enjoy working there and saw this as an opportunity to jump ship.

The IND contract is also new Third Party Business won by SBS, although it only involves 5 workers. Again, there is a two-tier workforce as all other employees are civil servants. Staff on this new contract were, yet again, forcibly transferred over; but they remain on the same NS&I/ SBS terms and conditions.

Whilst the Coventry City Council TPB contract only involved 3 workers, SBS lost the re-bid and the workers were subsequently offered redundancy; and the union reps state that the workers involved were satisfied with this arrangement.

Due to the financial pressures on the Public-Private Partnership contract, SBS have been able to cut the headcount at NS&I through transferring staff to new Third Party Business, together with several 'voluntary' redundancy exercises and by proposing secondary TUPE transfers of staff. Hence, SBS can also outsource jobs, in what they now deem to be peripheral areas of employment, to other private sector contractors. In 2001 SBS proposed two secondary TUPEs, the first was to transfer 15 accountancy jobs to SASC, and the second involved the outsourcing of 400 jobs in the Document Management Unit (DMU). In both instances the union and their members were fundamentally opposed to these secondary outsourcings, as they saw this as an attempt by SBS to break up the NS&I Account (PCS, 2001a). There was a trade union campaign in opposition to the proposed outsourcing of the DMU to another private sector company – which will be analysed in chapter six – yet the in-house bid won so the work remains part of the NS&I/ SBS Account. However, the proposed transfer of 15 accountancy staff over to SASC, which is another branch of Siemens AG, went ahead. There were already around 50 employees from National Savings working in SASC, who transferred over as part of the original PPP deal. These workers are employed on different terms and conditions to NS&I/ SBS staff, and have had to establish a new trade union branch and bargaining unit which places these few workers in more precarious negotiating position.

The development of Third Party Business and the outsourcing of work are redefining the boundaries of the Civil Service, creating a much more complex and convoluted picture of multi-layered contract employment. Whilst advocates of PPP argue that by taking on new Third Party Business, staff now have the chance to transfer across to more interesting and diverse work, such opportunities at NS&I are much more limited than they previously had been under the Civil Service. Prior to the PPP, workers at National Savings could transfer over to any other Civil Service department on broadly the same terms and conditions, although this was changing



after Agency Status. Yet there were no two-tier workforces, as staff were still part of the same bargaining unit and represented by the one trade union. SBS have been able to win Third Party Business contracts at: UKPS, VOSA and IND; all of which are Civil Service departments who have outsourced work. Hence, ex-civil servants at National Savings are now completing work for other existing Civil Service departments. Although these TPB contracts involve relatively small numbers of staff, there is now a snowballing of outsourcings within the Civil Service, whereas previously areas, such as, catering and cleaning were the only sections to be farmed out to the private sector. Civil Service departments are now under increasing pressure to cut costs and introduce further elements of privatisation, in keeping with the central themes of New Public Management. Again this creates further ethical problems, as private sector outsourcing companies are attempting to make profits out of sections of the Civil Service which were set up with an entirely different ethos of providing a service to the public. The outsourcing of work creates a dog eat dog culture and a race to the bottom where departments are attempting to cut costs and off-load unprofitable sectors of work. There are, therefore, inherent dangers in both outsourcing work and taking on new Third Party Business, due to the unpredictability of markets and the fact that this creates more losers than winners. Firstly, there is the problem of defining what is 'core' and 'periphery' work, and what employment to outsource and what to keep in-house (Milgate, 2001: ch. 2). There are dangers of losing key markets and also difficulties of moving into key markets (Milgate, 2001: ch. 4). The outsourcing of too much work could lead to the hollowing out the organisation, where core competences may be lost (Jarillo, 1993: ch. 4. Milgate, 2001: ch. 2). This was the main argument made by the PCS union at National Savings regarding the outsourcing of the Document Management Unit to a private contractor, in that they argued it was core business and if this area was outsourced then it would severely limit SBS's capacity to bid for more Third Party Business.

This newly developed and complex web of Civil Service and private sector subcontractors and suppliers, mirrors the multi-layered employment structures of Japan (Elger and Smith, 1994b. Kamada, 1994. MacKenzie, 2000). In Japan, work is firstly subcontracted to private companies, who then further subcontract other elements of work, and this process can involve layers and layers of subcontracting relationships (Kamada, 1994). This is starting to take place at National Savings,

where 90% of the work was originally outsourced to SBS, who then outsource sections of work to SASC and then insource elements of work from other Civil Service departments. SBS also employ the Japanese practice of 'shukkoh' of loaning out workers (Kamada, 1994), where workers from the NS&I/ SBS Account are loaned to, for instance, UKPS for the duration of the contract, and then return to core National Savings work.

However, there are a number of inherent dangers and complications with these new outsourcing and Third Party Business relationships. Firstly, as much of this is short-term contract work, it is insecure and fragile, and there are questions over the sustainability of such employment; especially as SBS have just lost the re-bid for the Coventry City Council work, and the IND contract will soon be up for re-bid. There are also problems of managing such a complex web of contractual relationships (Klein, 2000. MacKenzie, 2000). At NS&I the union who now have to deal with a number of separate Human Resources managers, due to the fragmentation of the account. Moreover, outsourcing work may not necessarily mean that it is now more cost effective, indeed it was arguably more effective to have Civil Service departments completing their own tasks which workers were fully trained up on, rather than outsourcing peripheral sections of UKPS, IND and VOSA work to National Savings.

Proponents of the outsourcing of work also fail to address the problems of cultural transfer and worker identity. As is already clear, the vast majority of National Savings staff did not want to be transferred over to SBS in the first instance and there have been a series of problems in their attempts at changing the organisational culture. This is further compounded via both the acquisition of new Third Party Business and the outsourcing of other work to private contractors, where some workers have been forcibly transferred over, and even some instances where they have also been forcibly promoted just prior to transfer. Kamada (1994) argues that in Japan many workers feel very negatively about being transferred out to other companies. This is also the case at NS&I where workers can feel unwanted and disposable, as was the case with the failed 'Development Bank'. This can have severe problems for management in winning over worker loyalty and can, therefore, have a detrimental effect on staff morale. It can also have complications relating to worker identity to the new organisation, particularly with short-term Third Party Business contracts, where workers do not feel any affinity to their new contractors

and similarly do not feel a part of the NS&I/ SBS Account, resulting in a state of anomie.

One of the major difficulties SBS face when bidding for Third Party Business is that National Savings administrative staff are expensive labour, yet this 'market rate' of pay is neither natural nor fair. However, NS&I also employ a number of highly skilled workers, such as, accountants, auditors and IT specialists, whose pay in this once protected sector is well below this 'market rate', so maybe it would have been more advantageous for SBS to bid for higher quality Third Party Business.

The main fear and concern of some of the staff at DNS&I is that Millburngate House could soon be used solely for Third Party Business. Of course, this can have serious repercussions involving the further fragmentation of work into various accounts with staff on differing pay, terms and conditions, which can also lead to problems of trade union representation and organisation.

## **Conclusion**

In this chapter I have examined the implementation of the Public-Private Partnership at National Savings and the early attempts by SBS at changing the organisational culture. Whilst National Savings had already undergone a process of commercialisation and partial privatisation when it was part of the Civil Service, the PPP was different as it directly affected all of the operational staff and signalled the beginning of the most profound organisational transformations.

There was little immediate change during the early stages of the PPP contract, under what several interviewees termed a 'honeymoon period'. Indeed there were some successes for SBS as they reduced staff numbers, began modernising operations and attracted new Third Party Business. However, SBS soon faced mounting difficulties as they failed to deliver Business Process Re-engineering to schedule and were unable to insource the amount of new work they had originally budgeted for, therefore, they were soon in a potentially loss making situation. This led to direct intervention by Siemens AG and the appointment of a new SBS senior management team to run the contract. This clearly signalled a turning point, with constant change initiatives aimed at reducing costs in an attempt to achieve profitability on this 'partnership' deal.

Several of the research interviewees, both union officials and employees, claim that SBS did not conduct thorough research prior to tabling their PPP bid. Indeed, the National Audit Report verifies this, clearly stating that SBS underestimated what the modernisation of National Savings involved. It appears that SBS did not understand the role of National Savings as a public sector financial organisation. Furthermore, they did not attempt to understand the organisation's existing cultures and traditions; and Alvesson (2002: ch. 8) and Roberts (1997) argue that this is essential when attempting to introduce change programmes. Yet attempting to radically transform the organisational culture at National Savings was always going to be problematic, as it has a long-serving workforce with embedded traditions and cultural practices. This was particularly difficult in the case of the Public-Private Partnership, where deep-rooted norms and values were to be changed now that the private sector 'partner' is attempting to make a profit on the contract.

Due to a lack of government investment, National Savings was in urgent need of modernisation. Whilst Business Process Re-engineering was started when the organisation was part of the Civil Service, it was believed that a private sector 'partner' would have the finance, skills and expertise to successfully install a modern IT system. However, SBS failed to appreciate the complexity of National Savings' products, which led to a series of difficulties in migrating products over onto the new 'Tahler' IT platform. SBS did not make best use of existing staff knowledge and instead relied on costly external consultants. Whilst SBS did open a state of the art call centre, this style of pressurised customer contact is inappropriate to the organisation's traditionally older customer base.

Another theme of continuity is that there have been a series of extensive 'voluntary' redundancy exercises both before and after the PPP. This has seen the workforce more than halved since the Public-Private Partnership, with no shortage of 'volunteers' willing to leave the organisation. Yet workers and union reps interviewed feel that National Savings is now under-staffed, as SBS attempt to reduce labour costs in order to make a profit.

Despite SBS's enthusiastic promises of bringing in quality Third Party Business, they only managed to create half of the insourced work they originally planned. This led to SBS having to forcibly transfer reluctant staff over to new insourced work, whilst attempting to outsource elements of National Savings work to other private sector contractors in order to reduce staff numbers. This led to the development of a

multi-tier workforce together with increasingly complex insource/ outsource relationships, which did not previously exist in the Civil Service.

It was clear to all interviewees that the PPP was a watershed and marked the ending of the long-accepted 'job for life'. Whilst SBS held road shows and presentations in an attempt to win the hearts and minds of employees, this resulted in disappointment when they failed to live up to expectations. Staff were certainly worried about the PPP of the organisation, and such anxieties were exacerbated with the appointment of a new SBS senior management team to run the account so early into the contract. The changes introduced by this second SBS management team have clearly changed the culture of the organisation, which have resulted in an intensification of work as SBS attempt to turn a potentially loss making venture into a profitable one.

In the following chapter I will analyse how SBS are attempting to further transform the organisational culture at National Savings, through the adoption of 'leaner' working methods together with various employee involvement initiatives.

## **Chapter Five – Further Organisational Culture Changes and the Imposition of Leaner Working Methods at National Savings and Investments**

### **Introduction**

In this third research findings chapter I will be critically examining later policy initiatives, which have been introduced by SBS to further change the organisational culture at National Savings and Investments. Many of these new management techniques have been directly imported from the private sector and initiatives, such as, Team Working and Lean have their origins in the auto industry. However, some of the changes discussed in this chapter were once again introduced when National Savings was still part of the Civil Service. Hence, organisational culture change has been a continuous process, which has accelerated since the Public-Private Partnership. Yet, what SBS view as ‘the problems’ of changing a long-established organisational culture have continued and, in some cases, been exacerbated through the adoption of Team Working, Lean and various other new initiatives which are inherently contradictory.

One of the main ways in which SBS have attempted to change the organisational culture at National Savings is via the introduction of Team Working. As has been discussed in the previous chapter, there had already been a widespread delayering of management through numerous ‘voluntary’ redundancy programmes and once staff numbers were cut to what SBS deemed an adequate level, they then implemented a re-grading exercise through Open Vacancy Advertising. I will demonstrate how SBS were able to install a new cohort of managers to replace the old Civil Service managers, in an attempt to culturally cleanse the workplace and impose a new set of norms and values. Yet such moves did result in friction between the newly appointed SBS managers and the ‘old school’ civil servants. I will go on to argue that Team Working has resulted in an intensification of work for those on the shop floor at NS&I, and this has increased with the introduction of Lean, which SBS view as a natural progression of Team Working.

SBS have attempted to further transform the organisational culture at NS&I by introducing a range of employee involvement initiatives, including: an Employee

Bonus Scheme, the Siemens Share Scheme, Staff Surveys and performance incentive payments. Whilst the latter two policies were used when the National Savings was part of the Civil Service, the former two schemes are new and supposedly increase staff identity to the company. However, I will demonstrate that, on the whole, staff are sceptical of such initiatives, as they are divisive and underhand attempts by SBS to cut the trade union out of the equation.

In light of the plethora of literature on quality improvement programmes, it is surprising that SBS have not spearheaded any new initiatives. However, there are tensions and contradictions over this issue, where workers want to retain the public service ethos of doing everything possible for savers, whilst SBS's over-riding priorities are reducing costs and achieving profitability.

I shall demonstrate how these new culture change initiatives implemented by SBS have the net result of increasing pressure and stress on all workers throughout the organisation, particularly those on the front line who have little power and autonomy. I will argue that the policies which SBS have introduced at National Savings have directly resulted in feelings of resentment and demotivation, leaving staff feeling over-worked, under-appreciated and increasingly uncertain of their futures.

### **The Implementation of Team Working**

In this section I will discuss the management theory behind how Team Working can apparently be used to radically transform workplace cultures to create dynamic semi-autonomous teams. I will go on to argue that the concept of team work has always existed as an essential part of the shop floor culture of National Savings, albeit in an informal sense. However, under the SBS imposed version of Team Working, there is a clear gap between the rhetoric and the reality. The managerially prescribed and ordained ideology of Team Working is both idyllic and uncritical, as it does not address the complexity of a number of key issues. There is very little acknowledgement from such integration theorists of any of the difficulties in the transition from an old workplace culture to a new Team Working environment. Furthermore, many of the management theorists in favour of Team Working do not address power struggles which can emerge when staff move to semi-autonomous status, as some managers are intent on retaining their authority. Such theorists are all

accepting of the management prerogative, as they simply take for granted that Team Working is for the mutual benefit of all and free of any problems or contradictions. Moreover, they singularly fail to address the influence and impact workers can have in this process.

Advocates argue that Team Working is the first building block in the re-organisation of work, where managers and employees now work together side by side in teams, as unnecessary hierarchical layers are swept away under a fundamental culture change (Peters and Waterman, 1982: ch. 8. Osborne and Gaebler, 1992: ch. 9. Champy, 1995). The philosophy of Team Working originated in the auto industry (Womack et al, 1990), and proponents, such as, Peters (1992: 243) argue that it can be used to culturally transform both new 'greenfield' sites, as well as established 'brownfield' workplaces. Teams are semi-autonomous with devolved responsibilities, whereby multi-skilled workers actively participate in the decision making process (Wickens, 1987. Osborne and Gaebler, 1992). During regular Team Meetings workers and managers share ideas on how to complete and improve tasks, creating an innovative working environment (Kanter, 1989. Peters, 1989). Hence, proponents of Team Working argue that it is a democratic system, which empowers workers and creates meaningful jobs within a harmonious working arena (Wickens, 1987).

Team Working was introduced to National Savings in April 2000 after SBS had carried out a pay and grading review (PCS, 1999a). This saw a further transition in the organisation's culture as promotions were now based on Open Vacancy Advertising (OVA), as opposed to seniority and merit under the Civil Service. There had already been a widespread delayering of middle management grades under several 'voluntary' redundancy exercises, and the introduction of Team Working saw the transition to a much flatter organisational structure. Whilst the NS&I Pay Band structure remains in place, the old Civil Service administrative graded workers became Team Members and the managerial grades followed in order from: Team Leaders, to Resource Co-ordinators and then onto Service Delivery Managers. Teams within departments are numbered from 1 to 8, and each team is comprised of approximately fifteen Team Members, headed by one Team Leader. Whilst some teams work on the same processes, others complete a range of different tasks. It is difficult to compare the new team grades with the old Civil Service ones, and SBS claim that these new grades are necessary as they represent new roles,



responsibilities and ways of working. However, this new Team Working culture was imposed on the workforce by SBS, and has led to problems and complications.

It is widely documented that elements of the Team Working philosophy are used in both the private and public sectors (Parker and Slaughter, 1988: 4. Coyne and Williamson, 1991. Moody, 1997: ch. 5). Yet managers usually adopt a 'pick and mix' approach to Team Working, rather than introducing a concise and coherent package (Warhurst and Thompson, 1998. Bradley et al, 2000: ch. 2). Indeed, despite the claims of management 'gurus' that Team Working is new and revolutionary, numerous research interviewees argue that team working has always existed at National Savings, although in an informal manner. Hence, team working had been a part of the shop floor culture, and this spirit of workplace co-operation helped workers both complete tasks and mutually support one another. Stephenson and Stewart (2001) term this 'workplace collectivism', which is the self-organisation of employees outside of management control and, although it may not directly challenge management, it is autonomous, collective and altruistic. In the interview quote below, a worker talks of how this informal spirit of workplace collectivism has survived, despite SBS's attempts to impose their new culture of Team Working; and I will demonstrate later in the chapter how this notion has continued.

I think, on the whole, Team Working still does work well; mainly because of what was in-built from the Civil Service days, because we had a very, very good team spirit. So, it's not happened because of SBS coming in and changing anything. If anything, the co-operation, I would say, is now more **grudging**, rather than done in the spirit of true team working. (Michael, worker, interview, 2004)

Similarly, flexibility and multi-skilling always existed at National Savings prior to the advent of Team Working. Workers were regularly rotated between departments and cross-trained on different processes, which added to their personal development, provided good quality cover for staff absences and created a highly skilled and experienced workforce.

## **The Imposition of a New Promotion Culture through Team Working**

SBS consulted with the union and their members at National Savings prior to the introduction of Team Working and Open Vacancy Advertising (PCS, 1999a). SBS also held staff road shows to sell the advantages of changing the organisation's culture. The transition from a long-established Civil Service promotion system to OVA resulted in tensions and contradictions, as it benefited some workers, but not others.

The first thing that SBS did [when they came into National Savings] was to run road shows and say, "Tell us what the problems are." And people said, "It's the hierarchal structure of the Civil Service and the fact that there are no opportunities, there was no promotion, you know, it's not happening. We have people who are sitting in the same grades who got there because they were in the right place at the right time and knew the right person." And a lot of people were saying, "Give us the opportunity, we could do just as good, if not a better job." In fairness to SBS they did, they brought in – some people do, some people don't like – Open Vacancy Advertising. I personally think it's one of the best things they did, but then again it worked for me, so I would say that. And SBS said, "Right, well you reckon you can do it, put your money where your mouth is. Come on." (David, worker, interview, 2002)

Under OVA, workers of any grade can now apply for any permanent posts advertised at National Savings, irrespective of their current Pay Band, and promotions are now competence-based. The PCS union issued a questionnaire to members regarding SBS's proposals to move to a new system of Team Working with OVA promotions; and there was a unanimous vote in favour of these new changes (PCS, 1999a). SBS then introduced Team Working creating a new grading structure, which resulted in a series of promotions early in the life of the PPP.

Although it is perfectly understandable that workers at NS&I were initially enthusiastic over what seemed to be fresh faces with fresh ideas offering new opportunities, I would argue that this attempt at cultural re-engineering did have

positive implications for some workers, but certainly not for all. It is true that there were severely restricted opportunities of upward mobility at National Savings for over a decade, but SBS seized on this need for change to introduce a new promotion and Team Working culture on their terms.

Whilst the administrative grades simply transferred over to become Team Members under the new Team Working arrangements, SBS then stated that EOs had to re-apply to become Team Leaders. SBS argued that this was necessary as the job of Team Leader comprised a new coaching role and signalled a move away from the alleged rigid Civil Service hierarchy. Although some EOs did successfully become Team Leaders, under OVA workers from any Pay Bands could now apply for these advertised positions and this resulted in a new cohort of Team Leaders.

The PCS union were fundamentally opposed to the Team Leader selection exercise. They argued that it was unnecessary as the role of EO and Team Leader were similar and, as the vast majority of EOs were long-standing, they already had the core competences for the job (PCS, 2000). However, SBS would not change their decision on the Team Leader selection procedure, so PCS sought legal advice over this issue.

Some of the EOs refused to re-apply to become Team Leaders, some of them said, "Right, that's it!", and a lot of them left on VR. One or two got downgraded...not very nice, but legally to downgrade by one grade is acceptable in the eyes of the law, so there's not much the union could do about it. So, we've had some former EOs/ Pay Band 5s who've been downgraded to Pay Band 4s and are now basically Team Members. (Paul, union officer, interview, 2003)

As the union rep mentions in the quote above, some EOs were downgraded which must have been a humiliating and demoralising experience. Rothman argues that such instances of demotion can lead to those workers criticising both the new organisational culture and its creators (1998: 289). Yet some EOs refused to re-apply to become Team Leaders and used VR as a 'get out' clause, especially seeing as the selection procedure involved the controversial use of psychometric testing (PCS, 2001a). One Team Member described the Team Leader selection exercise as "absolutely horrendous", as it created such bitterness and ill-feeling. Indeed, at

Glasgow National Savings so few EOs re-applied, that SBS management were forced to externally recruit around 30 new Team Leaders. Thus, the mistakes made in the Pay Band re-grading exercise, as discussed in chapter three, were repeated.

Hence, what appears on the surface to be a positive move by SBS in creating promotions in a previously stagnating organisation, I would argue is a divisive attempt at cultural re-engineering. Firstly, SBS did not initially state that all EOs had to re-apply to become Team Leaders. Secondly, layering had already started under 'voluntary' redundancy and was exacerbated under Team Working. Thirdly, whilst there were a spate of OVA promotions early on in the 'partnership', these soon dried up once the foundations of the new SBS Team Working regime were in place and a new cohort of managers had been appointed. Indeed, integration theorists, such as, Peters and Waterman (1982), Schein (1991) and Kotter and Heskett (1992) advocate the replacement of those members of staff who do not adhere to the new organisational culture. This clearly was achieved once National Savings became a PPP, as those who were unhappy with the transition to a more commercial culture 'volunteered' to leave via redundancy.

However, the use of Team Working as a form of organisational culture change is not unique to ex-Civil Service departments; it has also been used in the Civil Service, with the Benefits Agency (Foster and Hoggett, 1999) and the Land Registry (Smith, 2000) being two examples. In contrast to National Savings, Team Working was introduced at the Land Registry progressively over a trial period. Land Registry managers also went to visit the Nissan car plant in Washington to see how Team Working operated in a different work environment (Smith, 2000); just as other management teams have done in the past (Roberts and Strangleman, 1998). Hence, there was not the 'big bang' management inspired culture change of NS&I, which gave all parties - managers, unions and workers at the Land Registry - time and space to discuss any difficulties. In addition, Land Registry management did not deem it necessary that EOs re-apply to become Team Leaders (Smith, 2000); thus saving much of the animosity of the changes at National Savings.

The promotion structure of an organisation is always delineated under the umbrella that is the management prerogative. There had been a long-established and widely accepted promotion culture at National Savings under the Civil Service, yet there had been no fluidity within the internal labour market for around a decade. Whilst there were promotions at the beginning of the PPP contract under the Open

Vacancy Advertising, there were clearly tensions and contradictions, and during my research I was fortunate enough to interview two workers coming from different positions regarding this issue.

Whilst the new OVA system was advantageous for some workers, others of the 'old school' Civil Service traditions felt a loss of status, in that their experience was under-valued. Similar feelings were discovered by Roberts and Strangleman (1998) in their study on the movement to a new competence-based organisational culture. In the interview quote below, Alan talks of the feelings of indignation from the 'old school' civil servants towards this new promotion system and, together with the PPP, this was one of the main reasons why he decided to leave the organisation via 'voluntary' redundancy.

I know this may sound dreadful, but there was a lot of grade jumping [through OVA], you could find a Pay Band 1 [employee] going for a Pay Band 9 job. I'm not saying they couldn't do the job, but it led to a lot of resentment. Some workers were going for much higher posts and you often wondered if the interview board just gave them interviews so they could say they weren't stopping lower grades going for higher jobs, you know...it was strange. I'm sure it would be fine for some people, but it just didn't work all the time. (Alan, worker, interview, 2003)

The decision over which employees are promoted and which ones are not, rests with management, and as it is competition-based and subjective, it can never satisfy everyone. As workers naturally evaluate themselves in relation to their peers over such sensitive issues as promotion, it can lead to feelings of frustration and discontent for those who are over-looked (Rothman, 1998: ch. 15). There are feelings of employee dissatisfaction with both promotion systems at National Savings. David claims that those promoted under the Civil Service were merely "in the right place at the right time"; whilst Alan asserts that there was "grade jumping" under OVA, although he does acknowledge that such backbiting must "sound awful". Hence, both David and Alan represent differing schools of thought regarding the best promotion system at National Savings. Rothman argues that such feelings of frustration can lead to workers seeing the selection procedure as unjust (1998: ch. 15).

Whilst some of the ‘old school’ civil servants at NS&I felt that their status had diminished under Team Working, other workers gained from OVA. Most of the specialists interviewed had gained promotions under SBS and some workers were able to leap grades in a short space of time, in particular, David rapidly progressed to become a Resource Co-ordinator. Although some workers have been able to make the most of the opportunities offered by SBS, this has been to the detriment of others, and some of those who were unhappy with the new Team Working culture left via ‘voluntary’ redundancy.

The change to Team Working was a culture shock to a lot of the older civil servants. **But** I have to say that when we went through the Team Leader exercise an awful lot of existing EOs were displaced because they just **did not** cut it. Whereas, we had people coming through who had some really fresh ideas. So we ended up with a mix...I wouldn’t say 50 – 50, but a good mix of old style and new style Team Leaders. (David, worker, interview, 2002)

In the quote above, David claims that the quick transition to Team Working was “a culture shock” for many of the ‘old school’ and he does acknowledge that the majority of Team Leaders were newly promoted under OVA. Yet I want to go on to argue that such workplace culture transitions are not immediate, it is a negotiated process of change, therefore, management are never as fully in control of the situation as they would like to be.

In the interview quote below, a union rep talks of how SBS attempted to culturally cleanse the workplace by appointing a new cohort of Team Leaders.

The reason for the OVA promotions was that SBS wanted to bring in new people who they could mould into their idea of what a Team Leader should be. They didn’t want EOs who had been here for 15 years and knew what all the crack [craic] was. And it’s been an absolute bloody nightmare for the union because the new Team Leaders haven’t got a clue how to deal with the union, they don’t know about the rules and agreements we’ve got in place. (Paul, union official, interview, 2003)

The fact that these new Team Leaders do not seem to be aware of existing workplace agreements can be seen as an underhand attempt to move away from the old style industrial relations culture of discussion and negotiation, and another attempt to marginalise the trade union.

However, because the new Team Leaders lack experience and are newly appointed, they do not have the full respect of their fellow workers and can be seen as simply toeing the company line.

The problem is that because these Team Leaders are newly in, they haven't got the respect of the staff yet. The staff are sitting there thinking they've got a new Team Leader telling them all this company rhetoric, and they're saying, "Well hang on a second, just a year ago you were sat where I am sitting saying the same things I'm saying about you. Now you're sitting there saying, "Oh, SBS values", and all this." (Paul, union official, interview, 2003)

Alan Fox talks of the legitimacy of authority and the acceptance of norms by the majority of the workforce (1971: ch. 2). Under the old organisational culture EOs were long-standing and highly experienced; hence, they were generally accepted and respected. However, other workers interviewed have made the same point that Paul makes above, and because the cultural changes introduced by SBS are so new, there are problems over management legitimacy, as the old informal team working culture is still the very much in existence.

### **The Two Differing Experiences of Team Working at Durham National Savings and Investments**

It is evident that at DNS&I there are clearly two distinct types of Team Working in operation, and despite the claims that this re-organisation of work is new and participative, for the most part working life remains much the same as it always has done. For the specialist grades, being those who work in the IT, accountancy and finance sections, Team Working is closer to the ideal-type, and as these specialists are already quite high up the organisational hierarchy, they have always enjoyed more job control, autonomy and responsibility. For those who work in the large operational branches on the shop floor, although there is new SBS rhetoric about

Team Working, for the most part these workers have not enjoyed more employee participation. Moreover, both sets of workers are very aware of these key differences in the operation of Team Working and know that this does not herald a new dawn.

Advocates of the Team Working philosophy argue that it generates a true team spirit as managers are now actively involved on the shop floor working side by side with Team Members (Peters and Waterman, 1982: ch. 8). Thus, under Team Working, responsibilities are devolved giving Team Members more autonomy and control over their work (Peters, 1989: 297 – 300. Osborne and Gaebler, 1992: ch. 9). Whilst there are variations in how all teams operate at National Savings, I want to argue that such notions of employee participation and democracy are, on the whole, limited. Yet the Resource Co-ordinator interviewed during my research was particularly keen to emphasise such positive notions of Team Working, claiming that workers now have more responsibility at work.

The idea of self-managed teams a year ago/ 18 months ago [at DNS&I] was laughed at. What we've tried to do, I think, is introduce self-managed teams subconsciously, people are now part of a self-managed team and don't realise it. (David, worker, interview, 2002)

In the quote above, David claims that workers are not actually aware that they are now part of a semi-autonomous team. Similarly, Rose (1999) argues that psychologically the Team Working philosophy taps into the soul of workers and they are governed and self-fulfilled in this way. I want to argue that contrary to these claims of Team Working operating at a subliminal level, workers at DNS&I are acutely aware that they are Team Members and of the additional work pressures which this brings with it.

At NS&I Team Working is not participatory, Team Leaders are not prepared to devolve responsibility to their Team Members, and I will go on to demonstrate how this is emblematic of what Fox (1974) calls low-trust employment relations. The shop floor workers interviewed argued that as a direct result of Team Working and SBS's quest for profitability, there was now a relentless pace of work with added pressure and stress for those on the front line. Foster and Hoggett (1999) uncovered this in their research on the effects of Team Working in the Benefits Agency. Indeed in sharp contrast with the claims made by the newly appointed Resource Co-



ordinator, the quote from the worker below, shows that those on the shop floor are very aware of the pressures involved in Team Working and the role that the newly appointed SBS managers have in this new regime.

The new SBS managers are wankers. A lot of them have no people management skills. They forget people are human beings, and you're not treat with any respect or dignity. It's the mushroom syndrome, you know, kept in the dark and fed full of shit! (Julie, worker, interview, 2003)

Despite the rhetoric of worker empowerment through semi-autonomous teams, there is little change in the traditional structures and forms of management control. As many Team Leaders are experiencing the taste of managerial power for the first time, they want to maintain their new-found authority and refuse to relinquish control to the rest of their team. Also, as some Team Leaders are more established managers and used to the old hierarchical order, there is a power struggle between these older managers and the new Team Leaders over who is in over all charge. One worker described this as "a dog eat dog atmosphere" where Team Leaders play out this battle, while the Team Members actually get on with the job in hand. There was a similar scenario at the Land Registry, where older established Team Leaders fought between themselves as to who was the ruler of the roost (Smith, 2000). Some of the extant literature discusses how middle managers attempt to suppress empowerment so that they can maintain their power and authority (Moody, 1997: ch. 1. Milkman, 1998); such low-trust employment relations run counter to the spirit of Team Working, and also Team Meetings, which will be analysed next.

The philosophy behind Team Meetings is that it is a democratic and open forum where workers' opinions and ideas are respected and acted upon by Team Leaders (Osborne and Gaebler, 1992: ch. 9. Champy, 1995: ch. 6). Hence, through regular Team Meetings there is both improved communication and a tangible spirit of co-operation between all team players (Kanter, 1989: 207 – 208. Peters, 1989: 215 – 216). However, there is a disparity between the rhetoric and reality of Team Meetings. Hales (2000) argues that there is an inherent contradiction as management want Team Members to have some form of active participation, yet do not want this to threaten the prerogative of management. In the case of NS&I, such empowerment

is severely restricted which can create disheartened, disillusioned and cynical workers.

Along with concepts such as team working and worker flexibility, team meetings existed at National Savings prior to SBS's imposed philosophy of Team Working. There were regular management feedback meetings at National Savings, where information cascaded down from the top managers to the executives, and then to the administrative staff. Typically there were feedback meetings every month detailing: news, production statistics, work flow, stock intakes, work priorities and staffing levels. Team Meetings at NS&I take the same form and involve direct communication from management to workers, the only difference is in frequency, as Team Meetings are now on a daily basis. Team Meetings for those on the shop floor usually take place at around 10 – 11am, once the previous day's productivity statistics are available, and are very much orientated around production targets and Key Performance Indicators. Just as other theorists have argued (Garrahan and Stewart, 1992. Beale, 1994: ch. 4), Team Meetings at NS&I are under the strict control of management and involve direct communication from the managers to the Team Members.

There's a lot of downward communication in Team Meetings. It's very much a case of stressing the targets, telling you each day how you're doing on the KPIs, how much work is in, what has to be cleared. A lot of it is done without any problem on a regular basis, **but** you're more likely to hear of the failures rather than the successes, which I think is a big problem. (Michael, worker, interview, 2004)

Once again such low-trust employment relations involve 'the stick' approach, as rather than trying to encourage staff and win their loyalty, SBS dwell on the negatives, which also mirrors the fact that KPIs are penalty based.

As mentioned earlier, the experience of Team Working varies from team to team, but in Michael's team there was an attempt by managers to foster a team spirit by encouraging Team Members to conduct Team Meetings.

In some sections they [Team Leaders] will expect the Team Members to take a turn and conduct a Team Meeting. Not everybody is happy about standing

in front of a board and presenting a meeting, which strictly speaking as a Pay Band 3, you don't have to do. But there again, if push came to shove, I think people would be able to use that as a 'get out' clause. (Michael, worker, interview, 2004)

This perceived unnecessary pressure placed on Team Members to conduct meetings made staff not only uncomfortable, but it is hardly a form of empowerment as workers would be trapped within a strict Team Meeting agenda already pre-set by management.

The Resource Co-ordinator claims that workers were now free to express more of an opinion through Team Meetings. However, this is in direct contrast to the experiences of the Team Members interviewed.

If you have very strong characters, then it's usually the strong characters that are going to speak up in Team Meetings. But sometimes you get a Team Leader who says that this isn't the time or place to ask these types of questions. And then again you do question that, because obviously if you have a query that is specifically work-related or something of relevance, then even if they [Team Leaders] don't want to talk about it or answer that question at the time, then what they should do is say, "Right, we'll go away and come back with an answer and inform the rest of the team at the next meeting." (Michael, worker, interview, 2004)

As Michael states, Team Leaders do seem to get hot under the collar when asked what they deem to be awkward questions by Team Members, and are not keen to open up any form of discussion or debate. This echoes Beale's argument that Team Meetings are undemocratic (1994: ch. 4).

Workers are aware that the Team Meeting scenario engenders a false spirit of workplace co-operation and that increasing productivity is the primary agenda of Team Meetings. This can lead to workers becoming recalcitrant and cynical, as they feel that such discussions are highly restrictive and that their opinions are neither sought nor valued.

Oh, every day you gather around your whiteboard (*said in a patronising voice*), and you have a Team Meeting. And we just take the piss!

They [the Team Leaders] say, "There's the figures." What else can you say? Like I say, we take the piss. You're supposed to stand around and talk for ten minutes, but **about what?!** (Julie, worker, interview, 2003)

Regarding the alleged democratic nature of Team Meetings, one Team Member summed up the views of the others when asked how Team Meeting decisions were made, with the curt reply of "they're not!" Meaning that the Team Meetings are a cosmetic exercise; and as critics argue, management maintain the right to veto all decisions (Beale, 1994: ch. 4. Moody, 1997). However, it is interesting to note that workers from the shop floor feel that SBS's main failure is that they do not genuinely listen to the views of the staff.

All of the specialists and professionals interviewed at DNS&I claimed that their experiences of Team Working were very different to those of the workers on the shop floor. These professionals worked in small specialist areas and enjoyed more job autonomy and control as they were able to see tasks through from the beginning to the end, with no separation of conception and execution. Hence, these specialists always had workplace flexibility and worked together as a team in a more dynamic and genuine sense; rather than Team Working being a form of management prescription.

We do not particularly have Team Working where I work. We work as a team and it is a team environment, but it is quite a unique area because most people are professionally qualified. There's not really that hierarchical structure as such...we've got quite a flat structure within our office. (Kevin, worker, interview, 2003)

Along with specialists enjoying a more active and participative form of team working, this sense of freedom is also replicated with regards to Team Meetings.

We often have 'get things off your chest' sessions, whereas if anybody's got any gripes or isn't happy, our managers like to know about them, and that's quite open. In our team that's very good, I'm not saying that permeates

through the whole organisation though. But these Team Meetings are not democratic, what our big boss says goes at the end of the day. But a job isn't a democracy; a job is an autocracy. Although he will listen to your views, so there is some room for expression. (Doreen, worker, interview, 2003)

However, it is important to note that despite these specialists benefiting from a more open and inclusive team environment, the power and authority to make key decisions rests, as it always has done, with management.

Together with team working, team meetings and job flexibility, there have always been staff suggestion schemes at National Savings. In the past workers could make suggestions on how to improve work processes, their ideas would be passed up the hierarchy to a management panel, who would then assess the viability of such proposals and if they were implemented, workers would receive a financial reward. However, under the new Team Working arrangements, staff suggestions operate at the level of supposedly improving the team culture and spirit, as rather than offering cash prizes, the reward is in benefiting your team.

We don't offer an incentive to someone and say, "Come up with a good idea and we'll give you £50." We say, "Well, at the end of the day you're doing the job, if you think you can do it better by doing it a different way, tell us what you are going to do and let's try it." But if it goes wrong, then nobody's going to come to you and say, "Well, you're an idiot!" You know, there are no wrong ideas basically and, certainly in my area, we've tried to adopt that culture. (David, worker, interview, 2002)

Obviously the main difference between the schemes is financial, and a similar system was adopted at the Land Registry under the 'Quest For Quality' banner; yet workers did complain to the union as they felt that management were implementing their ideas and offering nothing in return (Smith, 2000). I want to argue that rather than benefiting the team, such staff suggestions result in the intensification of work as management decide which ideas to implement, and these proposals must fit in with their agenda of increasing productivity and reducing costs (Parker and Slaughter, 1988. Garrahan and Stewart, 1992. Beale, 1994: ch. 4).

Team working, team meetings, flexibility and staff suggestions all existed at National Savings prior to SBS taking the reins of power. Despite the rhetoric of empowerment, the same top-down power structures remain unchanged. Yet the main difference now is that these notions are under even tighter management control. Such concepts have been taken a stage further under Lean, and in the next section I will analyse how this new initiative has created further workplace pressure.

### **From Team Working to Lean**

In the spring of 2003 SBS launched their new Lean initiative and all teams had to attend Lean training workshops, as this new philosophy permeates through the whole National Savings organisation. Lean is supposed to build on the foundations already laid down through Team Working and offer more worker involvement, whilst simultaneously reducing waste and improving productivity. This Lean philosophy operates along the lines of lean production, which originated in Japanese auto plants, and seeing as this is the world's largest industry, it is the pace setter regarding the organisation of work (Womack et al, 1990. Moody, 1997: ch. 5. Stewart, 1998). Womack et al (1990) coined the term 'lean production' and claim that it is superior to all other methods of working as it uses less effort, time and space. They go on to argue that the principles of lean production can be applied to all employment settings with similarly impressive results and that organisations must become 'lean' in order to survive.

The introduction of this new Lean initiative is linked with the change in management teams on the 'partnership' deal, with SBS bringing in new managers from different sectors, including Siemens automotive side, which is normally associated with lean production. Womack et al (1990) boldly claim that all organisations must become 'lean' or face financial ruin. Yet this is not the first time that management theorists have made such claims about new working methods, the same sentiments have been made in relation to Team Working and Business Process Re-engineering. However, critics argue that far from organisations completely abandoning established practices and introducing a whole new lean production package, the vast majority opt for a 'pick and mix' approach, adapting some components to suit their needs (Moody, 1997. Bradley et al, 2000: ch. 2). SBS certainly have tried to employ such methods by adopting the concept of 'just in time'

stores. Again this comes from auto plants, with the idea of reducing stocks and inventory (Beale, 1994: ch. 2). There are also Lean brainstorming sessions at NS&I, so workers' knowledge and fresh ideas can be used to improve work processes. Beale argues that such shape-up sessions are an attempt by managers to gain workers sympathy, by winning over hearts and minds in order to change the organisational culture (1994: ch. 4). However, shop floor workers at DNS&I are highly sceptical of this new Lean initiative, as Team Working did not result in any more worker empowerment. Hence, for those on the frontline, there is a crisis of confidence in the claims made by SBS management. Yet I want to go on to argue that Lean does involve some team responsibility, but this is constrained within management's agenda of control. However, I will demonstrate how workers see through the façade of Lean and use their influence to limit the more harmful aspects of this new initiative.

Critics argue that despite the empowerment rhetoric, lean production is primarily concerned with reducing costs, increasing productivity, eliminating jobs and bypassing trade unions (Moody, 1997: ch. 5. Bradley et al, 2000: ch. 2). The interview quotes below, show that workers on the shop floor at DNS&I are acutely aware of this, in that not only does the phrase 'lean' give the game away, but it is seen as yet another way to reduce the headcount on the NS&I/ SBS Account.

Lean is one of these initiatives that has come in simply to save money, no other reason. I always think that it's a bit ironic, because if you look at the name, it actually tells you what you're doing, you're leaning the business. OK, you do get waste, you do get instances where you can look at things and say, "Can we do that better?" But you don't need Lean to do that. Basically, Lean is seen by a lot of staff as a way of doing yourself out of a job, or being moved onto a job that you don't particularly want to do i.e. call centre work. We have a situation where a lot of money has obviously been saved through Lean, but my question would be that there's a lot of things that have been done, which had Lean not been there, we could have still done anyway without having to spend a lot of money on indoctrinating the staff. (Michael, worker, interview, 2004)

In my opinion, Lean is designed to sideline the trade union and to get workers to come up with ideas, which will lead to them doing themselves out of a job. (Julie, worker, interview, 2003)

Lean does claim to offer more worker participation than existed previously under Team Working, and in Lean brainstorming sessions workers are encouraged to come up with ideas on how to improve their working lives. However, once again such empowerment must fit within pre-determined SBS management parameters to increase productivity and cut costs, due to the increasing financial pressures on the contract. Milkman (1998) argues that such participation schemes can lead to worker disillusionment, when the rhetoric does not match the reality. These views are echoed in the quote below, by a worker who questions the logic of the alleged 'win-win' scenario.

In some areas the Lean driver hasn't been about improving the staffs' work; it's been about improving productivity and reducing the headcount. The main driver has been about getting the work done quicker and losing staff numbers. And I think that the staff might go into it open-eyed and think, "Oh, Lean is a chance for us to change the way we work." But then if all the pressure is just about increasing productivity, I think staff will soon understand that and ask, "Where's the 'win-win' for us?" (Kevin, worker, interview, 2003)

Whilst employee participation is restricted under Lean, as all staff proposals must be sanctioned by management, workers do have some scope of influence and control. The quote below is an excellent example of how workers have been able to use their power within semi-autonomous teams to resist the more damaging aspects of Lean and protect jobs, thereby avoiding a potentially precarious situation.

The problem with Lean is that a lot of people do see it as a way of getting staff to do one thing, and that is to try and save a lot of money. But when Lean first started, SBS wanted the savings to be in relation to labour. Most staff have actually been pretty good and they've done it with regard to



resources rather than staff, which I'm pleased to see because we could have been in a very, very dangerous situation. (Michael, worker, interview, 2004)

Once again, what Stephenson and Stewart (2001) term 'workplace collectivism' is evident, with workers protecting each others' jobs. Foster and Hoggett (1999) also argue that an informal team spirit can be employed by workers as part of collective 'survival strategies'.

Another negative side to Lean is that productivity targets are pre-set by managers, and 'empowered' Team Members then must meet these expectations. Thus, the peer pressure from self-policed teams can result in 'horizontal antagonism' where workers blame each other for the rising stress of meeting targets, rather than management who set such targets in the first place (Bradley et al, 2000: ch. 2). Yet, in the quote below, a union official talks of how the union were already aware of the dangers of peer pressure inherent in Lean, and how this is having a detrimental effect in terms of increasing productivity and restrictions on holidays.

When SBS brought Lean in they said, "This is what we expect it to do and it's not about cutting jobs." The union said, "If that's what it's to do, fine, we'll support it." But we're already hearing nightmare stories, like we expected to hear, about people saying, "Right, we can't get enough leave so what we'll do in our team, we'll all agree to come in half an hour early and then somebody can have a half day off on Friday. Or, we'll all agree to do 10 extra cases today and then someone can have a half day off on Friday." The danger being, of course, your manager looks and says, "Oh, you all did 10 extra cases today, well, why can't you do that everyday?" So, then any target they've got automatically goes up by 10 cases. (Paul, union official, interview, 2003)

However, far from Lean creating 'horizontal antagonism', workers do blame the increasing intensity and pressure of work on SBS, together with the problems associated with annual leave and sick leave.

A problem which many workers mentioned throughout the research was that of leave, with requests for annual, casual and special leave often being refused by SBS on the grounds of 'business need'. Rather than granting special leave for medical

appointments, as happened in certain Civil Service departments, SBS prefer staff to use their own time. Whilst casual leave places additional strain on teams, refusal has had a detrimental effect on staff morale. Yet what has created further problems has been the inability of SBS to accommodate worker requests for annual leave, particularly during school holidays as the workforce at DNS&I is made up of many working mothers.

Something that would please a lot of people would be better access to leave. It's a big problem. I mean everyone's under pressure to get the work done, but SBS tend not to let people have casual leave which causes a lot of problems. Special leave has also been affected since PPP. About 70% of the workers [at DNS&I] are women and many are part-time workers who have caring responsibilities, and they've seen that their option for special paid leave or unpaid leave has been threatened. (Colin, worker, interview, 2003)

There is a whole range of literature theorising and analysing the increasing numbers of working mothers and the daily struggles they face in juggling the combined demands of work and family. This 'double shift' places an enormous burden on dual earner couples, and in particular single parent families, and can result in overwork and exhaustion (Hochschild, 1990. Schor, 1991. Jacobs and Gerson, 2001. Gornick and Meyers, 2003). In the past the Civil Service has shown commitment and understanding to the needs of their employees, especially working mothers, by offering flexible working arrangements and, for the most part, accommodating all summer leave requirements. The union at National Savings have emphasised how they would like workers to take an active part in their children's upbringing through SBS adopting 'family friendly' employment policies, rather than simply emphasising profits (PCS, 1999a and 2001b). Nationally the PCS union have also been campaigning for a more realistic 'work - life' balance to avoid rising stress levels and employee burn out (PCS, 2004a).

Successive trade union Branch Reports express concerns over the adverse effects that increasing workloads are having on National Savings staff (CPSA, 1996. PCS, 1998, 1999a, 2000 and 2001a). All of the research interviewees claimed that there was relentless pressure at work since the PPP, and the union argue that the continual workplace changes under SBS have resulted in rising stress levels (PCS,

2001b). Several critics argue that the intensity of the pace of work in organisations today places huge pressure on workers (Schor, 1991. Moody, 1997); and those with high job demand and low job control suffer from maximum levels of stress (Parker and Slaughter, 1988). Foster and Hoggett (1999) found highly stressed Benefits Agency staff due to additional workloads. Furthermore, the PCS union reports that 60% of all absences in the UK are caused by stress (2004a). However, rather than actually dealing with the causes of rising workplace stress, it is more common for modern managers to clampdown on sick absence (Schor, 1991. Beynon, 1997). Indeed, Sargent goes as far to claim that sick absence is one of the 'British diseases' and that a 'common sense' approach is needed to tackle this issue (1990: ch. 1). This involves managers recording and documenting all sick absences, then comparing and scrutinising the results via the use of trigger points (Sargent, 1990: chs. 3 and 5). This management monitoring of sick absence was employed at National Savings when the organisation was still part of the Civil Service (CPSA, 1996. PCS, 1998 and 1999a). This was also the case in the Benefits Agency (Foster and Hoggett, 1999). Yet this surveillance of sick absence has increased under SBS. The National Audit Report states that sick absence under SBS is benchmarked and has fallen from 8% to 3.1%, which is close to the national average (NAO, 2003: 2, 9 and 31); and there will no doubt be pressure for this figure to be reduced year on year. However, the use of an increasingly tougher and unsympathetic management stance could result in workers feeling compelled to attend work when they are physically and psychologically unwell, which could actually compound such problems.

Under the Civil Service there was a fully trained Welfare Officer to deal with any personal issues, including the problem of workplace stress. However, after part-privatisation the existing Welfare Officer left DNS&I under 'voluntary' redundancy. However, SBS did not seek a replacement; instead one of the union reps temporarily took up such matters. Recently SBS have decided to introduce an Employee Assistance Programme, whereby workers now have to call a helpline. Understandably, both staff and the union were unhappy with this new arrangement, as this is clearly inappropriate when dealing with confidential and personal matters (PCS, 2000).

Another staffing issue is that in the Civil Service we always had a Welfare Officer and a good Personnel Department, but since the PPP that's been

whittled down. All of the responsibilities that Personnel used to handle have been delegated down to the Line Managers. So we don't have a Welfare Officer on site anymore. Instead, what we have is a counseling service at the end of a phone line; it's called the Employee Assistance Programme. But people don't want to pick up the phone, they want to come face to face with a trained professional and discuss their problems. (Colin, worker, interview, 2003)

Whilst both the Glasgow and Blackpool sites have retained their Welfare Officers, Durham have been without such provision since 2000, and the union officials claim that SBS are not prepared to seriously tackle the issue of workplace stress.

SBS have not brought any health initiatives in. I know someone who has got an alternative medicine practice, and Orange [the mobile phone network and service provider] at Peterlee bring them in and they'll pay a bit towards the fees. They just do **absolutely nothing** here. We did have a commitment that within a year after privatisation SBS were going to look at our stress policy, but they're just dithering with it still and you can see they've got no intention. They make remarks like, "How can you really identify what is the cause in stress? You can't put it down to the workplace, it could be anything." You know, they use that as the 'get out' clause. (Tracy, union official, interview, 2001)

From the interviews with workers at DNS&I, it is quite clear what they perceive to be the main causes of workplace stress, namely: the relentless change programmes and uncertain future, together with increasing targets and pressures, so that SBS can make the contract profitable. Indeed, this situation is summed up very concisely in the following interview quote.

Basically what SBS want to be able to do is, they want as few as staff as possible, as cheaply as possible, doing as much work as possible. For that reason, nobody can regard their job as ever being 100% safe. (Michael, worker, interview, 2004)

Another factor which has added to this workplace stress is the use of Key Performance Indicators on the PPP contract, and it is this issue which will be analysed next.

### **Key Performance Indicators and the Problems of Measuring Organisational Effectiveness**

Key Performance Indicators are used in a wide variety of workplace settings, and are now commonly used throughout both the public and private sectors. KPIs are found in areas as diverse as: hospitals, schools, universities, police forces, courts, local authorities, prisons, supermarkets, banks and building societies (Jowett and Rothwell, 1988. Pollitt, 1990. Carter et al, 1992). Generally, Performance Indicators or KPIs are used to target job completion times and measure effectiveness, accountability and financial performance (Carter et al, 1992. Hiles, 1993). However, the use of such forms of assessment can be controversial, with the publication of league tables in the populist contexts of health and education (Jowett and Rothwell, 1988: chs. 2 and 5. Carter et al, 1992: 4).

As previously mentioned in chapter two, Performance Indicators were first introduced into the Civil Service through the Financial Management Initiative in the early 1980s. Carter et al argue that this started the Whitehall love affair with KPIs (1992: 165). This is significant as it is the starting point for a cultural transition, as Performance Indicators are an integral part of New Public Management with the aim of organisations making year on year improvements. The foundations laid down by the FMI were built upon through Agency Status, as Agency Framework Documents set out performance targets and delivery objectives which were measured by KPIs (Carter et al, 1992. Fairbrother, 1994. Jackson, 1994. Pilkington, 1999). The use of KPIs was aimed at creating a more commercial culture in the Civil Service (Fairbrother, 1994. Jackson, 1994). Indeed by 1987, there were in excess of 1, 800 Performance Indicators used throughout the service (Pollitt, 1990: 53). Agency-wide targets cascade down to individual offices, then they are devolved to the sections within offices and on to individual workers. These targets are often tied in with Performance-Related Pay, in order to further change organisational culture (Carter et al, 1992: ch. 2) - and the problems of this will be analysed later in the chapter. Contracting out also goes hand in hand with devolved budgets and KPIs, as services

are benchmarked to certain standards and have to be delivered to assessed objectives related to time, cost and accuracy (Hiles, 1993). This happened with both Compulsory Competitive Tendering and Market Testing at National Savings.

Although Performance Indicators appear to be neutral, there is a political process in operation which is financial, social and historical (Pollitt, 1990. Carter et al, 1992). The performance of the public sector was monitored prior to 1979, but it was only under the first Thatcher Conservative government that serious attempts were made at driving forward an agenda of commercialisation and privatisation. Hence, the use of Performance Indicators is a profoundly political act aimed at increasing productivity, whilst placing public expenditure under stricter government control (Jowett and Rothwell, 1988). KPIs in the Civil Service operate entirely on the prerogative of management, in that targets are defined and set from the top and run down through organisations; and these goals consistently increase year on year. Hence, there are debates over what are acceptable targets and how services are to be measured, quantified and compared (Jowett and Rothwell, 1988. Carter et al, 1992). Pollitt (1990) argues that Performance Indicators are primarily concerned with measuring efficiencies and cutting costs, rather than delivering effectiveness. Indeed, KPIs create a bureaucracy all of their own via the collecting, collating and monitoring of statistics. Moreover, the imposition of such indicators from above can be more about meeting set criteria, rather than actually improving the service delivery. Furthermore, KPIs may not give the true picture as only certain aspects of work may be assessed, plus some work can take priority over other tasks in order to make the statistics look impressive.

Although KPIs are used throughout all Civil Service Agencies (Gagnon, 1996), very few staff I interviewed at Durham National Savings knew of their existence prior to the Public-Private Partnership. This is completely different to the organisational culture at Durham Land Registry where all workers were made very aware of the use of KPIs, which were tied in with Business Plans and 'team targets'. Through the achievement of these objectives, all members of staff were rewarded with an annual 'Corporate Bonus'. However, this is cultural manipulation as the Land Registry is neither a business nor a corporation, and Kevin Kelly, the union Branch Secretary argues that the use of KPIs did create additional pressure for staff (Smith, 2000).

The use of KPIs at National Savings is much more explicit now that the organisation is a 'partnership'. There has been a major change in the organisational culture as all workers are now acutely aware of the importance of KPIs, and the pressure and stress that they bring. Carter et al (1992) recognise three types of KPIs, the first are prescriptive KPIs, which set out organisational objectives and targets. Secondly, there are descriptive KPIs, these are used to record change, for example, improvements in error rates, which are then compared year on year. Finally, there are proscriptive KPIs, which are negative indicators to penalise mistakes which should not happen in well run organisations. Carter et al argue that most organisations have a mixture of all three types of KPIs (1992: 49 – 50). The KPIs at National Savings are set by the Treasury and NS&I, and detail the standards of performance that SBS must achieve on the contract. In addition, the performance of SBS is benchmarked against the market by comparing the time and costs of operations against other organisations which are the best in the field (NAO, 2003: 1 and 28). There are numerous KPIs at National Savings, which are aimed at improving service levels, speed of response and accuracy levels (NAO, 2003: 9). For example, 'KPI Eleven' stipulates that all cheques received must be banked the same day, and there are Platinum, Gold and Silver KPIs, indicating their level of importance. However, all of these indicators are set negatively as they are penalty based, in that SBS are fined if they fail to hit KPI targets, but they are not rewarded if they meet or exceed them. For instance, if SBS achieve 99% of all KPIs then they are fined, yet if they surpass all KPI targets by 150% then they do not receive any financial bonuses. This is again emblematic of low-trust employment relations, yet this time it is between NS&I and the Treasury on one hand, and SBS on the other.

As previously outlined in chapter two, upon taking office in May 1997 'New' Labour set about an extensive overhaul of the existing PPP and PFI systems, as 'partnerships' would now be tied to rigorous performance targets with measured outcomes (Blair, 1998: ch. 5. HM Treasury, 2000). The public sector specifies what is expected of the private 'partner' in terms of levels of service and performance. The responsibilities and risks involved are then transferred over to the private sector, with serious implications if they fail to deliver (HM Treasury, 2000).

Regarding the use of KPIs at National Savings, in the first three years of the contract, SBS achieved 98% of the targets set, but were fined a total of £2.1 million (NAO, 2003: 3). In the first year SBS were fined £0.1 million, in the second it was

£0.7 million, this went up to a record £1.3 million in the third year and by the fourth SBS incurred £454, 000 in KPI fines (NAO, 2003: 17). The main reason for the sharp rise in financial penalties is that SBS failed to complete the business transformation as stipulated in the PPP contract by December 2000 (NAO, 2003: 26 and 33). However, as SBS did not complete this programme by the required date, there is a snowball effect as KPI targets continue to mount up and SBS must improve their performance even though they are already falling behind schedule in this deal (NAO, 2003: 33).

All of the workers and union reps interviewed at DNS&I spoke of how the use of KPIs had increased pressure on staff throughout the organisation. Workers were very aware of the negative fine inducing element of KPIs, as SBS emphasised that they did not want to incur KPI fines and aimed to make a profit on this PPP deal. In similar studies on PPP/ PFI contracts, both Grimshaw et al (2002) and Hebson et al (2003) argue that penalty based KPIs impose intense pressure on workers. Moreover, Hebson et al (2003) found that this is exacerbated through under-staffing. This is the same scenario at NS&I, where due to an over-ambitious redundancy policy the same amount of work is being completed by half of the number of staff. This places considerable pressure on those workers remaining and SBS management frequently use overtime to achieve KPI goals (PCS, 2001a). Carter et al (1992) talk of the importance of changing the organisational culture by making Performance Indicators meaningful to staff. However, the use of KPIs after the Public-Private Partnership seems to have just induced fear at National Savings. In the account below, Alan talks of the 'ridiculous pressure' placed on workers through the use of KPIs and of SBS 'management paranoia' of incurring fines.

The pressure was ridiculous after the PPP. You were still doing the same job, basically in the same way, but under National Savings if you did make a mistake you had leeway to put it right. But under SBS, and I think this was part of the government's fault when they assigned them the contract, they wrote that many tight rules and regulations in through Key Performance Indicators. KPIs were the bane of our life. In our section we had the only two Gold KPIs in the building and you had to balance the accounts to the exact penny every day, and you got fined every day until you put it right. With these Gold KPIs you're talking £ mid-6 figures per day, which is a lot



of money. So, SBS were quite paranoid, they seemed paranoid to us [the staff] and it got to the point where you were triple checking everything before you actually did it. And SBS managers used to come running down the room shouting, “You got this wrong!” You know, that didn’t instil any confidence. (Alan, worker, interview, 2003)

There have been some successes for SBS regarding KPIs, the target time for responding to customer requests at National Savings used to be 9 days, this was reduced to 7 days and now stands at 3 days (NAO, 2003: 9). Also, customer satisfaction increased by 9% in 2002, standing at 94%, which is above the major competitors in the field and customer complaints are 0.2%, with 0.1% being upheld (NAO, 2003: 18). However, there were initial problems and debates over KPI assessment through customer surveys, which led to SBS designing a new postal survey and employing another company to conduct telephone surveys to more accurately measure customer satisfaction (NAO, 2003: 17 – 18).

As KPIs are measured by time scales, for instance, the number of days it takes to issue documents, correspondence or payments; Pollitt (1990) argues that such assessments are based on Taylorism and managerial control. In the case of quality at National Savings, many workers interviewed felt that SBS were more concerned about meeting the criteria required, rather than delivering a true quality service to customers. Moreover, the emphasis on hitting certain KPI targets has led to the prioritising of particular types of work to the detriment of other tasks, which goes against the ethos of bureaucracy. Indeed, Hebson et al (2003) also found aspects of KPI ‘cherry picking’ in their study of ‘partnerships’.

As mentioned earlier, there are problems over the definition, collection and assessments of KPIs. This is also the case at National Savings, as during October 2002 SBS were officially contesting a number of KPI fines (NAO, 2003: 17). This led to NS&I agreeing to cut the number of KPIs on the account from 42 to 23, through merging some indicators and also reducing the performance deductions in order to modify the PPP deal (NAO, 2003: 4 and 26). Due to these adjustments SBS are now delivering services to the required KPI standards (NAO, 2003: 4). Carter et al (1992) criticise the use of KPIs and argue that it can lead to an over-production of statistics. Furthermore, the situation at National Savings is not unique, as Hebson et al (2003) also found in their study of ‘partnerships’ that KPIs had to be redefined.

In the next section I will analyse how Key Performance Indicators have been delegated down to measure individual and team performance at NS&I, as an ever more complicated and contested picture of pay and financial rewards develops.

### **Performance-Related Pay and Team-Based Performance Pay – Ever More Complex and Controversial Rewards Systems**

The increasing use of Performance-Related Pay (PRP) from the 1980s onwards has been widely documented, as it spread from the private sector to the public sector and, simultaneously, from senior managers to the majority of the workforce (Connell and Wood, 1992: ch. 4. Smith, 1992. Hume, 1995. Heery and Salmon, 2000). The use of incentive pay is not a new phenomenon, its foundations were in scientific management as Taylor believed that workers were motivated by economic rewards, which led to the piece-rate system of payment on results (Connell and Wood, 1992: ch. 2. Smith, 1992. Beale, 1994). PRP operates on a similar premise as it ties payment in with individual employee performance, and it is closely linked with New Public Management, together with Performance Management (Connell and Wood, 1992: ch. 5. Hume, 1995. Gagnon, 1996) and Human Resource Management (Smith, 1992. Torrington et al, 2002: ch. 36). Managers have used PRP as a tool to change organisational cultures and move away from the standard pay for the grade model to individual merit pay (Smith, 1992. Gagnon, 1996). This individualises the employment relationship with the notion that workers are now enterprising and in business for themselves (du Gay, 1996). As KPI objectives are set for organisations, they are tied in with Performance-Related Pay, hence workers are now increasingly accountable for their activities.

Advocates of PRP argue that it is a motivational tool and rewards the best achievers, whereas hierarchical pay was based on rank rather than contribution (Connell and Wood, 1992: ch. 4). Thus, employees have more control over their pay as it is dependant upon their annual performance, which means that pay is now not only more flexible, but a more cost effective scheme (Torrington et al, 2002: ch. 36). Such PRP assessments improve not only individual, but overall organisational performance, and are an essential ingredient to personal development (Hume, 1995). However, these claims are hotly contested, and I will go on to demonstrate that PRP

demotivates staff and is a method of cutting the wage bill through the imposition of quotas.

Performance-Related Pay was introduced to National Savings when the organisation was still part of the Civil Service (CPSA, 1996), which is further evidence of the process of culture change before part-privatisation. PRP was initially introduced for senior managers in the Civil Service under the Financial Management Initiative (Fairbrother, 1994). This scheme was extended with Agency Status, where a market-rate remuneration package was on offer to attract Chief Executives from the private sector (Pilkington, 1999: ch. 8), in order to transform the culture of the Civil Service under New Public Management. After the restructuring of the Civil Service and the devolution to Agency Status, from the mid-1990s onwards all Agency Pay negotiations now included an element of PRP added on to the overall pay settlement (Gagnon, 1996). The dissemination of PRP is a political act and the Conservative governments of Thatcher and Major were keen to cultivate an enterprising spirit in the public sector (Pollitt, 1990: ch. 3. Smith, 1992. Fairbrother, 1994); and 'New' Labour also encourage the use of such flexible pay arrangements (Pilkington, 1999: ch. 8. Morgan et al, 2000).

The Treasury set KPI targets for National Savings, both when it was a government Agency and now that it is a Public-Private Partnership. These targets cascade down to each office and then to departments within offices, and managers then assess the performance of each worker, which is the basis for their annual PRP award. The introduction of PRP signalled the end of the traditional Civil Service pay for the grade system, with the imposition of pay ladders for each grade and progression was dependent upon annual report box markings (Pyper, 1995). Employee annual reports are graded from 'Box 1' being excellent to 'Box 5' which is poor, obviously the highest proportion of PRP goes to those workers who receive the best marking, and this is steadily reduced if workers are awarded a 'Box 2' and a 'Box 3'. For those workers who are deemed not to have performed to the standard required and receive annual report markings of 'Box 4' or 'Box 5', then they receive no PRP, only the basic pay award. Hence, not only does the introduction of pay scales based on PRP make pay a much more complex issue, it can also create animosity and resentment.

Civil Service and public sector trade unions have been consistently and fundamentally opposed to the principle of PRP (Pollitt, 1990: ch. 5. Pyper, 1995.

Gagnon, 1996. Morgan et al, 2000). The PCS union (1999b) argues that Performance-Related Pay is divisive, counter-productive, subjective and inherently unfair.

Performance-Related Pay creates a division of the workforce, it is ineffective and it doesn't do what management say it's going to do. It alienates the majority of the workforce and only incentivises the minority. (Steve, union official, interview, 2002)

Although PRP remains at National Savings, the union were successfully able to negotiate a reduction in the proportion of the pay award which is performance-related. Hence, the majority of the annual pay settlement remains under collective bargaining, as it always has done. Indeed, Connell and Wood (1992: ch. 5) argue that some public sector managers were sceptical as to whether PRP was appropriate outside of the private sector. Moreover, Gagnon (1996) claims that many Civil Service managers thought that PRP was counter-productive and divisive, but this directive was forced upon Agencies by the Conservative government.

All of the workers interviewed felt that as PRP awards were based on their managers' opinions, it was not only subjective, but placed undue pressure on staff and, in many cases, this was divisive and actually demotivated workers. Foster and Hoggett (1999) also found this in their research in the Benefits Agency, and some managers did acknowledge that PRP did cause hostility and resentment amongst staff.

Performance-Related Pay is unfair and divisive. No matter how they say it's monitored, personal bias always comes into it. Performance-Related Pay caused a lot of **bad feeling** amongst staff...you know. I think, in the beginning, the thought of it motivated a certain number of staff, but it demotivated a lot more. I think it has no effect now. (Angela, worker, interview, 2001)

In the interview quote above, Angela argues that initially PRP did motivate some of the staff at DNS&I. Yet through union negotiations, PRP is such a small proportion of the pay deal, its impact now is minimal. Connell and Wood (1992: ch. 4), and also Smith (1992), argue that the proportion of PRP bonuses should be high in order

to motivate staff. Yet Performance-Related Pay was deeply unpopular with staff at DNS&I, and rather than being a motivational tool, it was counter-productive. Even those workers who benefited financially from it, were also critical of the principle of PRP and could see how divisive it was.

Well, I always had good annual reports, so I always did alright out of Performance-Related Pay. But I could see how unfair it was for some people, due to the subjective reporting of managers. I always argued against Performance-Related Pay. (Colin, worker, interview, 2003)

Performance-Related Pay was a big issue at National Savings. It created a lot of ill-feeling between people that you were working with. I was always alright with it [PRP], you know, I always got a decent box marking in my annual report, so I gained from it; whereas some of the people who probably did as good a job as me, didn't. I was one of the lucky ones that probably got a higher box marking. (Jason, worker, interview, 2003)

The contradiction whereby the individualistic nature of PRP runs counter to the collective spirit of organisations has been widely documented (Smith, 1992. Gagnon, 1996. Foster and Hoggett, 1999). Yet this clash is exacerbated with the introduction of Team Working by SBS.

Connell and Wood (1992: ch. 4) claim that PRP improves staff communication and development. However, the PCS union argue the opposite, as workers would be more inclined to cover up their weaknesses because any admittance could well have a negative impact on their annual report box marking and, consequently, their pay rise (PCS, 2000).

I believe performance-Related Pay meant that there wasn't an open discussion about personal development i.e. if you knew your pay rise was on the back of your staff appraisal system, the likelihood is if your manager says, "Right, let's identify your strengths and your weaknesses, so we can put you through a development course for your weaknesses and have a better overall employee out of you." The likelihood is that you would start arguing about your weaknesses, because you knew it might affect your pay at the end of the

day. Now a refreshing approach to that would be a frank discussion where you'd say, "Oh well, I need to develop in my customer telephone handling techniques." But in the back of your mind, through the Performance-Related Pay system you're thinking, "Oh, I'm not going to get a pay rise if I start saying this is where I need to develop." And I think that's what undermines the individual in terms of how the appraisal should work, and also it undermines the PRP system. (Chris, union official, interview, 2002)

The use of PRP was further undermined when it was revealed that there were financial quotas set by the Treasury, thus restricting the amount of PRP which could be paid out for each reporting year (CPSA, 1996. PCS, 1998, 1999b and 2000). Indeed Foster and Hoggett (1999), and also Connell and Wood (1992: ch. 5), have reported the use of PRP quotas in the Civil Service. Whilst Gagnon (1996) argues that PRP can result in 'collective kindness' with the generous awarding of bonuses to staff, a point which Torrington et al (2002: ch. 36) also reiterate; I will show how it was just the opposite at National Savings, as quotas were used to reduce the overall pay bill.

Due to the imposed spending restrictions through quotas, all annual reports and projected PRP increases had to be approved by senior management, so that they met the statistical expectations of departments. This not only made all managers more conscious of labour costs, but it led to the suppressing of annual report box markings so that offices could remain in budget (Foster and Hoggett, 1999. PCS, 1999b). For instance, if there was an excellent team of workers, the manager could not reward all employees with 'Box 1' grades as this would not only completely distort the year's statistical expectation, but there would not be the finances available to distribute such awards. Therefore, 'Box 3' became the standard award so that management could meet the required statistical expectation and remain in budget.

Let's be honest, Performance-Related Pay was an absolute nonsense. Management didn't call them quotas, but you can call them what you like, they're quotas. There were experts telling us that with the statistical expectations for this Agency, you would have X% as a 'Box 1', X% would be 'Box 2' and X% would be 'Box 3'. But you could have a table of 10 people, now they've all done that same job for 10 years, all at the same

standard, but you weren't able to give them all the same box marking because it knocked out your statistical expectations. (Jim, union official, interview, 2002)

The use of quotas due to statistical expectations demotivated and disheartened staff, particularly as many were vastly qualified, experienced and skilled, and felt that this should have been reflected with rising PRP bonuses.

Furthermore, PRP quotas increasingly placed middle managers in a difficult position as they had to write their staffs' annual reports to meet these departmental statistical expectations; this is a point which the trade union also acknowledges (PCS, 1999b). One of the research interviewees, Alan, was a reporting officer at DNS&I and he offers a unique perspective, as not only was he under pressure as the report markings he awarded his staff influenced their annual pay, but these box markings had to meet departmental quotas. In the quote below, Alan explains how all of the staffs' annual reports markings were collated across the National Savings department for approval, and reports would be returned to reporting officers to be re-marked if they did not meet the pre-set statistical expectations.

Performance-Related Pay did cause a lot of resentment, definitely. It also made writing staff annual reports more difficult, particularly when they came out with this ratio. The statistical expectation was that you could only have a certain number of staff on each particular box mark in one branch. Our managers used to take the report markings away and they would go to the board room in Durham, and then the other National Savings divisions would have video conferencing. There was this statistical expectation that you can only have 'X' number of 'Box 1s', '2s' and '3s' and possibly a '4' - but don't mention 'Box 4s'! And report marks got sent back if the statistical expectation wasn't correct, you would get them again to re-visit the marks. (Alan, worker, interview, 2003)

Alan states that PRP did create division and bitterness amongst staff, particularly regarding the awarding of 'Box 4s', as such workers would receive no Performance-Related Pay.

Due to the divisive nature of Performance-Related Pay and the proven use of quotas, the trade union representatives at DNS&I had more and more disputed annual reports to deal with (CPSA, 1996. PCS, 1999b and 2000). In 1997 there were 70 members' personal cases due to the alleged down-marking of reports (CPSA, 1997). Unsurprisingly, trade union members consistently voted for the abolition of Performance-Related Pay (PCS, 1999b and 2001c). Almost all of the research interviewees were highly disillusioned with PRP; although two of the specialists wanted to see a small element of remuneration to reward good performers, but they emphasised that this must be additional money and not tied to quotas. Yet this does not get away from the fact that all PRP awards are subjective, and there is very little hard evidence to prove that such reward systems actually motivate workers (Smith, 1992).

Moreover, PCS research shows that Performance-Related Pay discriminates against part-time, disabled and ethnic minority staff (PCS, 2001c). Analysis of PRP in the Department of the Environment Transport and the Regions shows that white workers were three times more likely than their black and Asian counterparts to receive higher awards (PCS, 1999b). In addition, as PRP is percentage-based, those on higher rates of pay receive more PRP; hence it discriminates against the low-paid (PCS, 1999b). There is also concern from the union about the general lack of female progression up the pay scales (PCS, 2001a).

Connell and Wood (1992) have noted the frustration that under PRP few public sector workers manage to make it to the top of their respective pay scales. This was already an issue at National Savings due to the imposition of quotas, but the problem has been compounded under Open Vacancy Advertising, because those who have been recently promoted have, in a number of cases, jumped several Pay Bands in one go and have entered their new grade at the pay scale minimum. Yet those members of staff who are long-established in the hierarchy have been able to steadily progress up the pay scales. This creates huge disparities in pay between workers who are doing exactly the same job (PCS, 2001c), and as David explains, this pay system creates divisions amongst staff and can be counter productive, rather than a motivational tool.

If I was going to do one thing to increase job satisfaction here, I would harmonise the pay rates. Obviously when we moved to Performance-Related



Pay we created Pay Bands and pay ranges, and this led to the situation where there are people who are thousands and thousands and thousands of pounds apart, but are doing exactly the same job. But because they haven't done that job for so long or they haven't been here as long as the other person, they're way, way behind. For example, in my office there are two Team Leaders, one is on £14, 400 [per annum] and one is on £22 grand, but this is because one has been an EO for 15 years. In my grade there's £12, 000 difference between what I get [as a Resource Co-ordinator] and what somebody who was a Pay Band 6 longer than me earns, because I went from Pay Band 3 to Pay Band 6, so I started on the minimum. What it does, is it creates somebody saying, "Well, why the hell should I bother?" (David, worker, interview, 2002)

Yet despite all of the criticisms of PRP, the use of quotas and often huge pay differentials; managers, the 'New' Labour government and the Conservatives remain undeterred and continue to endorse this system of remuneration.

If the remuneration system at National Savings based on PRP was not unpopular and complicated enough, SBS then mooted a plan to individually monitor all staff so that PRP would play an even greater role. However, there had previously been a system to individually reward typists with bonus payments based on typing speeds, but this was later abandoned as many typists began to suffer from Repetitive Strain Injury, with the union successfully winning numerous compensation claims (CPSA, 1997. PCS, 1998). Nationally and locally the PCS union are fundamentally opposed to the principle of Performance-Related Pay (PCS, 2001c). Hence, SBS and the union were poles apart on this issue and negotiations continued to drag on for over two years. Finally, the two sides went to the Advisory Conciliation and Arbitration Service (ACAS) in 2003 where a compromise was reached, with an agreement to introduce Team-Based Performance Pay – the details of the negotiations at ACAS are analysed in chapter six. It was the union who proposed the introduction of Team-Based Performance Pay as they saw it as the lesser of two evils, as it takes out some of the individuality of the pay scheme. All teams at NS&I are equalised in that there is a mix of both grades and experience, and there are assurances that there is no competition between teams. Group-based bonus payments are not a new idea, they were originally used in the textile industry (Connell and Wood, 1992: ch. 2), and

they work under the premise that as everyone within a team is paid the same rate, it builds collectivism (Greenhill, 1990: ch. 9).

Whilst the trade union reps believe that Team-Based Performance Pay is a fairer system in comparison to PRP, they are also aware of the potentially divisive nature of this system. The achievement of daily team targets results in all Team Members receiving financial rewards. However, the setting of team-based targets is all down to the prerogative of management. Whilst Team-Based Performance Pay is still very new at NS&I, there could be problems of peer pressure with strong Team Members blaming other workers for not sufficiently helping the team reach their targets and subsequent bonus payments.

I think one of the main problems of Team-Based Performance Pay is peer pressure. Obviously you can get somebody who can kick out an amazing amount of work. Whereas, you might get somebody who isn't quite so competent, but they can still do a decent day's work. But then because they're not doing quite so much, the pressure will be put on them to put out even more. As in any situation, you will get people who very much want to look after number one, they want to be the ones who stand out and if there's an extra 10 quid to get, it doesn't matter what needs to be done, they will want that full 10 quid. It's very much a situation of, "If I don't get that 10 quid, it's your fault!", and they will point the finger. Managers are having a very good time of it, because they're saving a lot of money because they've got people doing their job for them. (Michael, worker, interview, 2004)

As the worker quoted above states, Team-Based Performance Pay can run counter to the team spirit through creating horizontal antagonism, whereby Team Members police each other and blame their fellow workers for not achieving targets, rather than blaming managers who set such targets in the first instance. This can result in workers being even more pressurised to achieve targets and sacrificing casual leave for fear of letting the team down.

The employee remuneration system at National Savings has become increasingly more complex. Under the Civil Service there was national standard pay for the grade, which was covered under collective bargaining, but this was devolved after Agency Status with the introduction of Agency Pay. PRP was then introduced

into the Civil Service, whereby part of the annual pay rise was covered by collective bargaining, with a proportion being performance-related with the introduction of pay scales. Yet due to the use of quotas, progression up the pay scales was severely restricted. After SBS took over National Savings, a new system was implemented whereby there was to be an annual pay rise under collective bargaining, where an element of PRP remains, together with Team-Based Performance Pay. Such complicated and convoluted pay systems are a bureaucratic nightmare and could create further complications with staff movement between teams. The situation has become even more complex with the formation of a multi-tier workforce under SBS.

### **The Creation of a Multi-tier Workforce**

The emerging web of Third Party Business was analysed in chapter four, together with the complex new employment relationships with SBS moving staff onto new work under differing terms and conditions. In this section I will examine the new multi-tier workforce created by SBS since part-privatisation. At the core of this new relationship are ex-civil servants who had their employment transferred over to SBS under TUPE legislation, and these employees continue to make up the majority of the workforce. Meanwhile, on the periphery are two sets of workers who differ from core employees in that their employment is not as permanent or secure, who are on alternative terms and conditions. Yet the experiences of these two sets of peripheral employees differ considerably as they consist of SBS employed managers and specialists, and temporary workers employed by a private sector employment agency. SBS managers and specialists are on far higher rates of pay than the rest of the NS&I workforce. However, agency workers are on inferior terms and conditions, with severely restricted opportunities and are not allowed to join the trade union. They are on lower wages than core NS&I staff, plus the private sector employment agency takes a cut of their pay. I will analyse and explain the complexities and problems of SBS importing a private sector multi-tier organisational culture to National Savings.

Under the Civil Service it was common for government Agencies to employ casual workers. Indeed, Fairbrother (1994) analysed the use of such flexible forms of employment in both the Benefits Agency and the Inland Revenue (chs. 5 and 7). Casual workers were drafted in as a short-term measure to help departments deal with heavy work periods, yet this could also be a route to permanent Civil Service

employment (ch. 7). This was also the case at National Savings when it was still part of the Civil Service.

Now that National Savings has been partially-privatised, rather than employing casual short-term staff, SBS prefer to bring in temporary workers through a private sector employment agency. The rise of temporary employment in Britain is a relatively recent phenomenon, which has increased considerably from the early 1990s and is now a common feature of the public services (Morgan et al, 2000. Robinson, 2000). SBS employ approximately 400 agency workers (PCS, 2004b) and they are mainly employed either on Third Party Business contracts - particularly the Barclays Account in Glasgow - or in the call centre. Agency workers are usually deployed to cover work that core NS&I employees are reluctant to volunteer for, due to concerns over changing terms and conditions or the unsociable hours involved. There are similarities between casual and agency employment in that such work is routine, low-paid and insecure; but there are key differences as the interviewee below explains.

Under the Civil Service most workers were on fixed contracts, but you also used to occasionally have casual staff. Now the casual staff are slightly different to the agency staff, in that with the casual staff it was very much on the understanding that you may only be in here for maybe five or six weeks, during a particular peak period and then you were on your way. But the thing is, the use of agency staff is endemic in the private sector, the main reason for that is that they can employ them on lesser contracts and they don't have to give them the same terms and conditions. So at the end of the day, it is a much, much cheaper package for them. (Michael, worker, interview, 2004)

Temporary employment at National Savings shares some of the features of the 'McJob', in that it is low waged, low status, entry level work, with very limited opportunities for personal development (Ritzer, 2002. Lindsay and McQuaid, 2004). In keeping with the market norm, the majority of the agency workers at NS&I are young (PCS, 2004b). Moreover, in their research on the service sector Lindsay and McQuaid (2004) found that older men were increasingly reluctant to take temporary call centre work. Whilst casual work was short term, a growing trend is for temporary agency workers to be no longer temporary, in that their contracts can be

extended from year to year (Klein, 2000: ch. 10). This is also the case at NS&I, with some agency employees being in post for up to three years (PCS, 2004b). Thus, SBS have a two-tier workforce in operation made up of core NS&I employees and peripheral agency workers on lesser terms and conditions, who are on lower rates of pay and have very limited opportunities of being made permanent members of staff.

Well, harking back to when SBS first took over [National Savings], and something which they have repeated on numerous occasions, is that they say they're not a cheap labour company. But, of course, what happened was, in our particular area, because they let so many permanent staff go on voluntary redundancy and the work is too much for those left, they've had to draft in agency staff. And the thing is, because the agency staff are on short-term contracts, it means that SBS can finish them at any time, they don't need to be employed for more than six months ahead, because obviously they then get into the realms of having to make people full-time members of staff, which they don't want to do. But the simple reason is that without the agency staff we would be in an even worse state than we are now. But SBS will not recruit permanent staff and this totally goes against the image of not being a cheap labour company. (Michael, worker, interview, 2004)

As temporary workers legally have less employment protection, they are easily disposable. At the end of my research SBS were given the green light to offshore work to India, which resulted in the bulk of the agency workers losing their jobs. There was a campaign by the union to oppose this move, which was the first ever offshoring of government work, and this will be analysed in chapter six.

At the opposite end of the spectrum are those specialists and managers who SBS have brought in from the private sector, and these employees are on substantially higher remuneration packages than core former civil servants.

In terms of comparisons between people who do the same and similar specialist jobs in the private sector, our [ex-Civil Service] pay is appallingly low. We certainly don't get the bonuses and we don't get any of the perks, such as, company cars and so on, that SBS specialists and managers receive. (Doreen, worker, interview, 2003)

Whilst these new SBS employees may be paid more and receive far higher bonus payments, they are on individual SBS contracts and do not have the collective bargaining arrangements of the former civil servants.

I have noticed that we're the poor relations of SBS managers and specialists, in terms of pay in particular. Probably external direct recruits with professional qualifications are coming in and earning, maybe, £8 to 10 K more than us a year and they're on a bonus package on top of that. Having said that, they haven't got flexi-time and they haven't got our security in terms of redundancy rights. **But** three years at £10 K extra would give me my redundancy payment, you know... (Kevin, worker, interview, 2003)

Whilst the worker quoted above claims that SBS specialists and managers can make substantially more in a few years to cover his redundancy payment, these new SBS employees do not enjoy TUPE protection or employment security. Hence, along with agency workers, SBS managers and specialists are in a precarious employment position and are under pressure to deliver, as has been seen with SBS terminating the contracts of senior managers early on in the PPP deal.

Of all of the workers interviewed at DNS&I, it was the specialists who identified most with the company, as they were working side by side with SBS specialists and managers; unlike the majority of the shop floor staff. Yet there was a sense of injustice from core NS&I workers as agency staff were paid much less, whilst SBS specialists and managers were paid much more, to complete similar types of work for the same company. Hence, there are tensions and contradictions with the transition to a new culture, with workers wanting to return to the old Civil Service system of pay parity across the grades. In the next section I will analyse further attempts to move towards a business culture with the introduction of employee bonus and share schemes.

### **The Siemens Share Scheme and the Employee Bonus Scheme – Further Attempts at Moulding Company Identity**

The recent introduction of both the employee share and bonus schemes by SBS are part of on-going attempts at changing the organisational culture at National Savings.

These new forms of financial employee involvement are aimed at motivating and rewarding workers as their efforts result in organisational success for all parties. However, I want to go on to argue that these initiatives are another method of increasing the pressure on staff, they do not equally reward all organisational actors, and in the case of the employee bonus, it is both divisive and discriminatory.

Just as with Performance-Related Pay, both share and bonus schemes are old initiatives which used to exclusively cover senior managers in the private sector (Greenhill, 1990, ch. 11. Connell and Wood, 1992. Smith, 1992: ch. 11). However, there has been renewed management interest in such participative schemes from the 1980s onwards as they have spread throughout workplaces (Connell and Wood, 1992. Beale, 1994: ch. 4). The underpinning notion behind these schemes is to reward employees for achieving targets as everyone within the organisation will benefit from its long-term prosperity (Greenhill, 1990, ch. 11. Connell and Wood, 1992). The employee share offer has its roots in that Thatcherite notion of a share owning democracy (Greenhill, 1990, ch. 12); and 'New' Labour want to build on this and double the number of companies offering shares to their employees to promote active 'partnership' by giving them a stake in the business (HM Treasury, 2000).

In 2001 the Siemens Share Scheme was launched at National Savings with SBS offering shares to core employees in Siemens AG, being the Siemens global corporation. SBS had a special deal on offer whereby if employees bought £1, 000 worth of Siemens shares, then the company would match this commitment, hence there was a 'two for the price of one' package. Indeed, companies often subsidise employee share schemes to make the deal more attractive (Smith, 1992: ch. 11. Hume, 1995: ch. 11). Although the union do not agree with the share holding philosophy, they did arrange a loan scheme to help lower-waged staff purchase shares if they so wished. Around 70% of National Savings staff bought shares in Siemens AG. However, SBS did issue a questionnaire to those National Savings workers who did not purchase shares to ask why they did not take the company up on the offer, which is intrusive. All shares purchased were under the pre-condition that they were part of a long-term commitment to the company and could not be sold within three years.

All of the workers and some union reps interviewed took SBS up on the share offer due to the 'two for one' deal; the only workers not to do so had left the organisation via redundancy before the shares were on offer. Some workers saw the

shares as a perk of working in the private sector, which they did not have under the Civil Service. However, others were more cynical and saw the special offer as a form of manipulation and control, with managerial emphasis on share prices and company profits being related directly to individual work performance.

My manager said, "The staff should be concerned about their share dividends." And they have put a sign on the door of the Personnel Department with the latest share price advertised. SBS want you to buy into it so they can manipulate you more, because really that's quite clever putting the share price on there. You can see they are trying to get you to buy into the company in more ways than one. (Angela, worker, interview, 2001)

Yet, for the most part, staff were sceptical of SBS's motives behind the Siemens Share Scheme, and they primarily purchased shares due to the special offer. This did not result in employees feeling any more involved in the 'partnership', indeed the bureaucratic ethos of serving the public remains, as the following worker explains.

Well, I've bought some shares, I don't believe in them in all honesty, but I only bought them because whatever you bought Siemens would buy the same amount for you. The Siemens Share Scheme means absolutely bugger all to me. I simply come in and do my work to the best of my ability day in day out, just as I always have done. (Julie, worker, interview, 2003)

Indeed, once the three year 'no sell' clause had expired some of the interviewees had sold all or part of their shares, and even though the shares had depreciated in value, workers could still make a quick profit.

I did buy some shares, not because it helps Siemens, but because it seemed to be a good idea at the time. I've actually sold the ones that I bought and made a profit on them, now I'm simply playing with the free shares. So, from the point of view of personal gain I'm rubbing my hands saying, "Yeah, I've made some money out of it." If you have a true employee ownership scheme, you can get a feeling of ownership. Whereas this didn't really do that, because staff saw it as a purely detached financial incentive. At the end of



the day, Siemens are a very, very large company, and obviously they have some very, very large share holders...we're not talking about £900 or £1200 worth of shares, and they're the ones who will truly benefit along the line from all of our hard work, not us. (Michael, worker, interview, 2004)

In the quote above, Michael explains that he does not feel that the share scheme was particularly participative as Siemens AG is a huge multi-national corporation with much wealthier share holders who consequently play a much larger role in the company. Most workers do not identify with SBS as they did not want to be part-privatised in the first instance, and many of the decisions involved in changing the organisational culture at NS&I have been unpopular and divisive. Hence, there is a lack of employee loyalty to SBS and this is why some workers were prepared to cash in their shares at the first available opportunity. A similar situation was also uncovered in Roberts and Wilkinson's research, where employees at the Co-op bank simply saw the share scheme as "extra dosh", rather than as a positive organisational commitment (1991).

As with the share scheme, the Employee Bonus Scheme is a new initiative which SBS introduced to National Savings in 2002. Again, it is a participatory scheme where employees share in organisational successes and profits. However, the trade union were not consulted over the introduction of this Employee Bonus Scheme (PCS, 2002a). Instead, SBS chose a select number of staff to present their new proposals to and all were in favour of a bonus scheme. However, this is an attempt to by-pass the trade union and elected representatives of the workforce. Furthermore, the Employee Bonus Scheme is a one-off payment which does not form part of general terms and conditions and is not consolidated.

With the Employee Bonus Scheme there was no negotiation or discussion with the union, SBS just said, "We're going to introduce this bonus scheme", and that was that. I mean, we're [the union] not against the bonus scheme per se, I'm sure something that gives more back to the staff is fine, but what we were frightened of is whether this is going to come out of the overall pay bill? If so, then we've got no control over it, which is not right. (Paul, union official, interview, 2003)

Whilst the Employee Bonus Scheme looks attractive at first sight, the PCS union is concerned that this will further increase pressure on staff to hit productivity targets and reduce costs, which could ultimately lead to job losses (PCS, 2002a). As a union rep explains below, there are certain caveats attached which could reduce the over all size of the bonus pot.

With the Employee Bonus Scheme I think people at first just thought, “Oh champion, they’re [SBS] giving us some extra money.” But what SBS have said, is that any KPI failures and fines will come out of this bonus pot, together with overtime payments. (Paul, union official, interview, 2003)

Indeed there are other strings attached, relating to which employees are eligible to receive the full bonus. Staff who have been absent from work for over 10 days throughout the year due to sick absence or special leave receive a reduced bonus under pro-rata arrangements, as do women who have been on maternity leave (PCS, 2002a). Hence, this bonus system is discriminatory and divisive.

The Employee Bonus Scheme encourages presenteeism. If you’re off work for more than 10 days per year your share of the bonus pot is reduced. If you’re off sick for whatever reason, you lose out. It is divisive and it affects people who have no control over being off, such as, time off to be a Justice of the Peace or a School Governor. I don’t like this Employee Bonus Scheme at all. I think workers are skeptical about it, but no one’s going to turn down the chance of a few hundred quid at the end of the year, you know... (Colin, worker, interview, 2003)

Moreover, those workers who have left on ‘voluntary’ redundancy or have been transferred over to new Third Party Business that year receive no employee bonus at all, even though they have played a role in contributing to the organisation (PCS, 2002a). Agency staff are also ineligible for the bonus, even though they may have worked all year at National Savings, and such workers are already marginalised (PCS, 2002a).

Furthermore, the bonus scheme is divisive as IT staff did not receive any bonus due to KPI failures (PCS, 2002a). Yet in the example below, a worker explains that

there is a fine dividing line between which workers SBS deemed worthy of the bonus and those who were ineligible.

I think the employee bonus was just over £500 at the end of last year before tax, which most people got as a one-off bonus. Where the problems are, is that this bonus was rather divisive because it didn't apply to everybody, there were some people, especially in the IT grades or even agency staff, who never got a penny of that. It was basically aimed at people who worked on the operations area, where you're actually delivering results with regard to KPIs. But there were people that worked maybe just outside these boundaries, who although they do NS&I related work, were considered by Siemens [Business Services] to be ineligible. So, they actually had an office where Tony, one of my mates, worked with someone doing basically the same work, he got a bonus, but his colleague didn't. So, it's very, very divisive. (Michael, worker, interview, 2004)

Also, one of the specialists interviewed felt that the Employee Bonus Scheme was unfair in comparison to the bonuses offered to newly appointed SBS managers and specialists who were to receive an extra 10% of their salary, which is considerably more than the £500 offered to most of the ex-Civil Service staff. Critics argue that such bonus schemes do not necessarily motivate workers (Smith, 1992: ch. 11. Beale, 1994: ch. 4). Indeed this appears to be the case at NS&I, due to the highly divisive nature over which employees were deemed eligible to receive the bonus. However, it appears that SBS have learned from their mistakes and have stated that the next employee bonus will be negotiated with the union and will be awarded to all staff. There was a similar bonus scheme at the Land Registry which was also related to the achievement of KPI targets, and this 'Corporate Bonus' was fairer as it was a flat-rate award that went out to all staff, but again it was not consolidated (Smith, 2000). However, this bonus was soon incorporated into the organisational culture and workers automatically expected this bonus as part of their annual pay rise. Moreover, the union claimed that this led to some 'creative accounting' in order for the bonus to be awarded during some difficult years.

### **Staff Surveys and Low-Trust Employment Relations**

Workplace staff surveys are a form of participatory management where employees are presented with the opportunity to brief managers on a range of issues, such as, current terms and conditions, working environment, workplace morale and recent change programmes (Osborne and Gaebler, 1992: ch. 9). Again, this is part of a broader culture change programme of employee involvement, which started before National Savings was a PPP. Indeed, Staff Surveys were also used at the Land Registry with private management consultants brought in to design questionnaires and analyse the results (Smith, 2000).

The first SBS Staff Survey at National Savings was conducted during 2000, early in the 'partnership' deal. However, several research interviewees stated that SBS were reluctant to release the results, which were not published until 2001. The worker quoted below, argues that the reason for this was the negative feedback regarding the culture change programmes introduced by SBS.

We have had a SBS Staff Survey. Basically what we needed to say was how wonderful we thought they [SBS] were. I wouldn't exactly say the results were announced in a blaze of glory. It went very quiet for a while, and then the results were pretty much touched upon, rather than published in any great detail. And the main reason for that was because I don't think they got told what they wanted to hear. (Michael, worker, interview, 2004)

Osborne and Gaebler argue that through staff surveys management listen to workers opinions and then take steps to iron out any problems that arise (1992: ch. 9). The workers interviewed at DNS&I did not feel that this was the case and were generally cynical of such surveys, which they believed to be just another management fad.

In 2003 SBS launched two new Staff Surveys, one relating to SBS as a whole and the other being specifically on Lean. However, some workers were unwilling to complete the surveys as they believed that their views would not be seriously taken on board by SBS management, which is emblematic of low-trust employment relations which have developed at DNS&I since the part-privatisation.

I didn't bother filling the SBS Staff Survey in. I had more important things to do and I don't think they [SBS] would listen to what you said anyway. They would fiddle the figures, as such, to make it read what they wanted it to read. (Julie, worker, interview, 2003)

Indeed, Beale also argues that there can be simplistic and selective presentation of staff survey results by management (1994: ch. 4).

There was also a general feeling amongst workers that Staff Survey questions were biased in favour of SBS. Critics such as Beale agree that employee survey questions can be loaded to provide certain answers (1994: ch. 4). Moreover, quantitative research questions can be closed with pre-coded standardised answers (Bryman, 2001: chs. 6 and 7); and are deliberately employed by management to give restrictive and constrained responses.

I have filled Staff Surveys in - I'm not saying I've filled every one of them in - but it's difficult to find out what the results are. I also think some of the questions are loaded to give the answers that SBS want to hear. (Colin, worker, interview, 2003)

I don't place a lot of stock in SBS Staff Surveys; because it's how you phrase the question and basically you can get the survey to say what you want it to say. (Dermot, worker, interview, 2003)

At the Land Registry, the Staff Survey was also largely quantitative in nature with pre-coded answers throughout, but on the back page there was a space for workers to add their own comments. However, this page was later scrapped due to the amount of negative statements made against management (Smith, 2000). Roberts also states that the more open-ended questions used in surveys of shipyard workers resulted in the most stinging attacks on management culture change initiatives (1993: 192 – 193).

Of those who did complete the SBS Staff Surveys, the worker below states that whilst he thought he was as open and frank about working life after the PPP as he could be, others were much more critical.

I did complete the SBS Staff Survey last time and I was quite honest about it. But when I heard how honest other people were I thought, dear me, perhaps I've been a bit too lenient (*chuckles*)! (Michael, worker, interview, 2004)

This indicates that there is a shop floor subculture of dissatisfaction and dissent amongst some of the staff towards SBS. I want to argue that this is particularly prevalent amongst the administrative grades who have borne the brunt of much of the increased workplace pressure since part-privatisation. Yet, the National Audit Report claims that SBS have managed the staff well at NS&I and workplace morale is good (NAO, 2003: 9); yet it is important to note that their researchers only interviewed managers from the three sites, but none of the front line staff.

The administrative workers from the shop floor felt that the major failing of SBS is that, despite the rhetoric, they do not value the opinions of their staff; again echoing low-trust employment relations. Hence, workers felt that Staff Surveys, particularly relating to Lean, had their own set agendas and were not participative. Instead there had to be a fresh approach from management, where they not only listen to the opinions of workers but also take positive action.

I think there's a lot of apathy on the shop floor regarding Staff Surveys, people will say, "Well, it'll make no difference, they [SBS] always do what they want anyway." It's quite ironic, because all of the staff recently had an e-mail from a senior SBS manager and he is actually quoted as saying, "We don't want people **to have** to come to work. **We want them to want to come to work.**" In other words, he wants people to be happy. At first I thought, is this another SBS propaganda exercise, or does he truly want this to happen? But somewhere down the line the communication is lost between the managers immediately above the staff, because we very much feel that what happens on the ground floor and what happens with relation to the managers on site, by the time it gets up to senior [SBS] managers way up the line, it's a totally different story. (Michael, worker, interview, 2004)

In the quote above, Michael states that there is a breakdown in communication between management grades as to the genuine feelings of staff on the shop floor. This has not been the first time there have been communication problems relating to

difficulties on the account, indeed it occurred early on in the deal when SBS were informing Siemens AG and the Treasury that everything was still on track, when all was not well. There are also communications issues relating to customer quality since the Public-Private Partnership, which will be analysed next.

### **Customer Service - the Resilience of the Embedded Public Service Culture**

I will now analyse the tensions that have arisen on this 'partnership' contract over the issue of customer service at NS&I. Several of the interviewees stressed that National Savings was renowned for its excellent customer service. However, now that the service delivery is operated by a private sector 'partner' there is pressure from SBS to make profits, and as a consequence, a questioning of previous quality improvement measures. Although SBS have modernised the organisation through investment in new technology, they have not introduced any new quality initiatives at the level of the shop floor. I want to go on to argue that rather than seeing customer service suffer, workers on the shop floor have informally reverted back to the embedded public service culture of delivering excellent quality products to NS&I customers.

Many of the workers and union officials interviewed emphasised that in the past National Savings was renowned for delivering excellent quality products to its investors. This is in keeping with the public service ethos, and staff at National Savings took a great pride in both their work and the reputation of the organisation.

National Savings have always given **tremendous** customer service, the **highest calibre** of customer service. (Julie, worker, interview, 2003)

National Savings used to be renowned for its customer service. That is what its reputation was built on. (Angela, worker, interview, 2001)

Indeed, part of the trade union's campaign against the PPP was that under the private sector this tradition of delivering an excellent customer service could be under threat in the quest for profitability (PCS, 2001a).

SBS have modernised National Savings through the development of the call centre and web banking, to give customers more choice and easier access to products. They have also appointed a 'Customer Champion' (NAO, 2003: 9) and signed up to the Banking Code in 2003, which is voluntary and sets out minimum standards of good service (NAO, 2003: 10). However, given the mass of literature from management 'gurus' relating to the 'quality revolution' (see Peters and Waterman, 1982. Peters, 1989), it is interesting to note that SBS have not initiated any new quality programmes relating to work organisation on the shop floor. Moreover, it appears that SBS management are stressing Key Performance Indicator targets, speed of response and profitability, all at the expense of quality.

Traditional and long-established notions of quality at National Savings have been redefined in relation to the achievement of KPI targets. Fitzgerald et al (1996) argue that at the heart of renewed management definitions of quality are the goals of increasing productivity and profitability. Indeed, Foster and Hoggett (1999) have noted how in the public sector there is a movement from service quality to economy. Under SBS this is also the case with the emphasis being on speed of service, output and efficiency. This has resulted in SBS challenging established quality measures and questioning whether they are really beneficial to their business interests.

SBS want to make a profit out of the contract, which they're not particularly doing at the minute, and National Savings want to keep the same levels of customer service that they've always enjoyed. So, I think the difficulty that we see as employees, is that in the past we've moved from a Civil Service customer focused background where 'the customer is always right/ do everything you can to support the customer', to an employer who says, "Well, do we really need to do that for the customer? Other banks don't do that and it costs us money." For instance, sending out statements whenever a customer requests one, other banks would say, "Well, no, you'll get your statement every quarter, or when we send it out, or you'll have to pay for it." So, it's those sorts of issues where, as a supplier, SBS is saying, "Well, that's an additional cost to provide that service", but National Savings is saying, "Well, we've always done that, so we should carry on doing it." (Kevin, worker, interview, 2003)



Evident here are tensions over the established public sector ethos of customer care and the agenda of the private sector partner, which is ultimately based on cost and profits.

Those workers interviewed from the shop floor all stressed that the customer service had declined, despite the empty rhetoric of SBS.

The main problem is that, despite the fact that quality has gone downhill, SBS seem to have this very big emphasis on 'customer service'. It's almost like you can preach customer service, say you're going to do this, you're going to do that, but the reality is somewhat different. And I just feel that the quality of service we are giving is totally being eroded. (Michael, worker, interview, 2004)

Moreover, through the emphasis on hitting KPI targets to avert fines, some work takes priority which means that other work is consequently delayed, which goes against the impartial nature of the public sector ethos. As the workforce at DNS&I is long-standing, vastly experienced and used to the old customer service traditions of the Civil Service, any deterioration in standards is instantly noticeable.

Under SBS as long as you give an effective customer service, they're not bothered. And, to be fair, the staff do take a pride in their work. But now you're not particularly encouraged to give such a good customer service, which we take quite badly, because we've all worked here for 15 years plus and you are used to giving a tremendous customer service, and now that's not quite as good. (Julie, worker, interview, 2003)

In the interview quote below, a worker talks of the difficulty of changing deeply embedded and established quality procedures, particularly when staff take pride in their work and feel that such quality assurances are in danger. In their research on 'partnerships', Hebson et al (2003) noted how workers still identified very strongly with the public service ethos and remained committed to the customer.

It is very hard for people to get out of the way of, if you like, dotting every 'i' and crossing every 't', and making sure that everything is spot on before it goes out to the customer. (Michael, worker, interview, 2004)

Hence, the traditional and ingrained cultural practices, together with bureaucratic procedures, survive due to the self organisation of employees. This pride in one's work is similar to the occupational culture of craft workers, with their internalised standards and moral legitimacy of ensuring excellent quality work (Roberts, 1997).

There is pressure from SBS to increase productivity, yet workers on the shop floor have managed to carve out a space where they can revert back to the old customer service that National Savings has always offered. In the quote below, Michael explains how quality was always a major part of the organisational culture and workers are now carry out a balancing act between meeting targets, whilst also feeling personally responsible for providing a quality service.

Deep down, the majority of staff do try and give 100% to the customer, because it's just in-built. And I think this is why a lot of frustration creeps in because people really, really want to give the best they can to the customer; but at the same time they want to keep themselves in a job, and go home and feel that they've done a good day's work, they've got a little bit out of it and they've actually earned a living at the same time. (Michael, worker, interview, 2004)

Foster and Hoggett (1999) term this the 'good will of workers', whilst Stephenson and Stewart (2001) offer a deeper analysis of 'workplace collectivism' through autonomous employee self-organisation. The union officials agree and claim that the informal intervention of frontline staff has allowed National Savings to maintain its high standards of service delivery.

I think the customer service has probably stayed the same, but I think that's down to the staff really, because they've been doing the job for the last 20 years - most of them - and they're not about to let that suffer. (Paul, union official, interview, 2003)

However, some interviewees added that due to this extra work being carried out voluntarily and altruistically by shop floor employees, the Treasury were, therefore, unaware of any friction over the new quality agenda of SBS.

## **Conclusion**

In this chapter I have analysed further changes in the organisational culture at National Savings, some of which began under the Civil Service, together with a number of new initiatives which build upon earlier SBS programmes. The pace of change has clearly accelerated under the second SBS management team, in a decisive effort to turn the contract around into a profitable venture. A range of new management initiatives have been introduced including: Team Working, Lean, Open Vacancy Advertising and the creation of a multi-tier workforce, all of which have transformed the organisational culture. Additional initiatives, such as, the Siemens Share Scheme, the Employee Bonus Scheme and Team-Based Performance Pay are aimed at increasing worker identity to the company, and are directly related to the achievement of KPI targets and profitability. However, the relentless change programmes implemented by SBS have had the combined effect of intensifying the pace of work for all staff, particularly those on the front line.

However, SBS have faced constant problems and difficulties in attempting to change the organisational culture at National Savings. Integration theorists, such as, Ouchi (1981), Peters and Waterman (1982) and Deal and Kennedy (2000), do not seriously address the complexities of changing the cultures of long-established 'brownfield' sites. SBS attempted to culturally cleanse the organisation by introducing a Team Working philosophy. Indeed, several notable integration theorists argue that those who are not prepared to embrace the new cultural norms and values should be released (Peters and Waterman, 1982. Schein, 1991. Kotter and Heskett, 1992). As has been discussed in this chapter, as well as the previous one, many workers at National Savings who were unhappy with the direction of the organisation chose to 'volunteer' for redundancy. Yet, team working had always existed on an informal level at National Savings, which again indicates that SBS did not attempt to understand the existing shop floor cultures and traditions. Hence, theoretically this informal version of team working is partly, what Roberts (1997) claims as being, the emergent property of the workforce. Similarly, Stephenson and

Stewart (2001) also identify this as being 'workplace collectivism', where a shared team spirit can aid management in achieving organisational goals. Yet this new version of Team Working is managerially imposed by SBS, with the aim of transforming the organisational culture. However, despite the managerial rhetoric of Team Working empowering employees, little has fundamentally changed in the labour process as the traditional power structures remain. Team Members do not enjoy more job autonomy, and there are two different experiences of Team Working based on grade and authority. Far from Team Meetings being an open forum, they operate under strict managerial control with daily emphasis on productivity targets and profitability, which is different to management feedback meetings in the Civil Service.

SBS also introduced a new competence-based promotion system of Open Vacancy Advertising, to move to a flatter organisational structure. Anthony (1994) argues that for cultural transformations to be effective they must also change the structure of the organisation; yet he warns that this can involve difficulties and complications. As there had been very little upward mobility at National Savings for a decade, SBS promoted a new set of managers in an attempt to transform the organisational culture. As the majority of the old Civil Service managers 'volunteered' for redundancy, SBS planned to install a new cohort of Team Leaders who would embrace their new cultural norms and values. Once this new management regime was in place, OVA promotions ground to an immediate halt. However, there were tensions and power struggles between the long-established and new managers, and there are additional difficulties as many of the new appointees are unaware of union agreements and do not have the full respect of the shop floor staff.

Despite attempts to change the organisational culture at National Savings, workers on the shop floor have found some space to avoid the more damaging aspects of the SBS agenda. Lean is seen by SBS as being the natural progression of Team Working, with the aim of eliminating waste and inefficiency. Yet Lean does offer workers some scope for decision making, even within such a constrained agenda, and they have used this in regard to resources rather than staffing numbers. Furthermore, SBS have challenged existing bureaucratic quality control measures on the grounds of cost and profitability. As National Savings is renowned for its excellent customer service, shop floor workers have informally reverted back to the

embedded cultural practices to ensure that customers continue to receive the highest quality of service. Hence the ingrained culture and public service ethic survives, which endorses the claims of Stephenson and Stewart (2001) that such 'workplace collectivism' can aid the organisation, and is both voluntary and altruistic.

Some of the change initiatives examined in this chapter were originally implemented when National Savings was part of the Civil Service, such as, the use of Key Performance Indicators and Performance-Related Pay. Whilst KPIs were introduced under the Financial Management Initiative, shop floor staff were unaware of their existence prior to the Public-Private Partnership. There has certainly been a change in the culture of the organisation as all interviewees were acutely aware of the fine-inducing nature of KPIs and their negative impact on profitability. The use of KPIs runs counter to the ethos of public administration, as certain work takes priority in an effort to achieve targets. In contrast, all workers were very aware of the use of PRP in the Civil Service, and this policy was deeply unpopular on the shop floor. This individualises the employment relationship, and introduced pay ladders with progression based on annual assessments. Staff interviewed felt that this system was divisive and contradictory, as it goes against the spirit of team working. However, the union had successfully been able to reduce the proportion of PRP after proving that quotas were imposed to cut the overall pay bill. SBS then proposed to individually monitor staff, which again shows that they did not conduct thorough research or seek the opinions' of staff. Needless to say, this proposal was controversial and resulted in ACAS intervention. This is notable as prior to the PPP industrial relations were generally co-operative, and there had never been any input from ACAS before. Finally, through ACAS negotiations, an agreement was reached with the implementation of Team-Based Performance Pay. Thus, the culture of National Savings has changed further, with the movement from standard national Civil Service pay to an increasingly more complex pay system.

Another new development since the Public-Private Partnership is the creation of a multi-tier workforce, which did not previously exist at National Savings. This comprises agency staff who are on inferior terms and conditions to core staff, whilst SBS specialists and managers are on far superior remuneration packages. This movement to a more commercial culture is unpopular with staff who want to return to pay parity across the grades and end the multi-tier workforce.

SBS have further attempted to generate a commercial culture with the Siemens Share Scheme. Whilst some workers saw this as a perk, others simply regarded this as extra cash and sold their shares at the first opportunity for personal financial gain. Whilst the Employee Bonus Scheme is grounded on the integration theorists' view that everyone is part of the organisation, this scheme failed to have the desired effect as it was divisive and discriminatory.

Many of the initiatives introduced by SBS have resulted in a relentless pace of work. Furthermore, staff have also been frustrated by the lack of availability of leave, together with what they see as SBS management's reluctance to tackle the issue of rising workplace stress and their refusal to appoint a new Welfare Officer at DNS&I.

Regarding Staff Surveys, many workers feel that their views are not listened to, let alone acted upon, and their efforts are not fully appreciated as targets and workplace pressures continually rise. Moreover, many workers were prepared to be openly critical in these surveys of the SBS regime and of the changes they have introduced at National Savings. Several differentiation theorists argue that complex organisations are multicultural, and are made up of competing subcultures (Wright, 1994. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7). Indeed, there appear to be new subcultural formations developing at National Savings with many shop floor workers being critical of the SBS regime, particularly in Staff Surveys. Whilst ex-civil service specialists interviewed were more able to identify with SBS managers, as they are working alongside their counterparts, tensions remained over pay and conditions. In the next chapter, the most prominent of all organisational subcultures will be examined, that of trade unions and their members.

## **Chapter Six – Conflict and Resistance to Organisational Culture Change at National Savings and Investments**

### **Introduction**

In this chapter I will analyse conflict and resistance to the culture change initiatives that were introduced at National Savings. This opposition operates on two levels, the formal and informal. Formal resistance involves the trade unions and their members, which were collective, conscious and calculative defensive actions. There has also been informal resistance from shop floor workers to many of the initiatives implemented by SBS, involving cynicism and desubordination.

As examined in the previous chapters, it was only from the election of the first Thatcher Conservative government onwards, and the development of New Public Management, that a range of policies were introduced with the aim of changing the culture of the Civil Service. I will examine trade union opposition to the commercialisation of the Civil Service, and how the union at both national and group level were able to mobilise strike action against Market Testing. However, there were intra-union tensions between the 'moderate' National Executive Committee and the more militant National Savings Group Executive Committee over which direction the unions campaign against the commercialisation and partial privatisation of the Civil Service should take. Yet there were also divisions within the ranks of management, with reluctance on the part of the Treasury at introducing some of the Conservative's directives at National Savings. This did change in the run up to the Public-Private Partnership as the Conservatives deliberately recruited a Chief Executive from the private sector to drive forward organisational culture change. However, the PPP of National Savings did result in the first strike action to be taken against 'New' Labour. Despite there being a 'partnership' between SBS and the union implicit in the Public-Private Partnership agreement, I will go on to demonstrate that industrial relations have become increasingly fraught.

Whilst most of the chapter focuses on formal opposition, there has also been informal resistance to SBS's attempts to change the organisational culture at National Savings. As the majority of staff were opposed to the PPP from the outset, SBS tried to win the hearts and minds of employees by emphasising the new opportunities they would create. Whilst some staff have gained with promotions, the majority of

workers are placed under increasing pressure with less job security. Although there has been the pragmatic acceptance of financial bonuses offered by SBS, this does not mean that workers are embracing new managerially defined core values. I will also go on to demonstrate how staff have been able to exert their influence to limit the potentially damaging aspects of the SBS agenda.

### **Organisational Culture Change: Homogenisation and Colonisation?**

This research is centred around attempts to change the organisational culture at National Savings, in the context of New Public Management. The Public-Private Partnership involves the most profound changes, in that SBS are attempting to transform core values, norms and beliefs, as it is imperative that they make a profitable return on this venture. Integrationists argue that it is essential that senior managers win the battle for hearts and minds, as with one shared and agreed homogenous culture, all members can enjoy organisational prosperity and success. However, critics argue that this is a managerial attempt at colonising the culture of an organisation, which has possible totalitarian implications.

Integration theorists claim that senior managers have the power and ability to control and transform the culture of their organisations. By persuading employees to internalise new values, norms, attitudes and beliefs, this will generate a homogenous, consistent and coherent organisational culture that all members subscribe to. Not only will this improve both productivity and employee commitment, but it will determine organisational success for the mutual benefit of all (Ouchi, 1981. Peters and Waterman, 1982. Deal and Kennedy, 2000).

Critics argue that this is an insidious managerial attempt to control and manipulate the culture of an organisation. Salaman (1997) and Kunda (2003) claim that the use of presentations, road shows and incentive schemes are all designed to gain employee loyalty and trust. These attempts to win hearts and minds by encouraging employees to embrace managerially defined goals and objectives are tantamount to cultural colonialism. Hence, culture now becomes a tool of managerial control, in an effort to side-step the contradictions that are inherent in the capitalist employment relationship (Willmott, 1993. Wright, 1994. Kunda, 2003).

However, I want to go on to argue that workers are not mere objects in this process who are to be culturally programmed. Rather, there has been conflict and



resistance to many of the initiatives implemented at National Savings, including informal efforts on the part of shop floor workers to limit and resist change. It is these instances of formal and informal resistance that will be the focus of this chapter, as culture change is continually negotiated and contested.

### **Subcultures of Resistance**

In contrast to the claims of integrationists that all organisational members adhere to one homogenous culture that is defined and controlled by senior management, I will go on to demonstrate that National Savings is made up of a plurality of subcultures. This subcultural resistance operates on two levels. Firstly, this involves formal resistance, with opposition from the trade unions and their members to governmental and managerial attempts to impose culture change. The second form of resistance takes place on the shop floor and is informal, with attempts by workers to limit and resist change, involving cynicism and desubordination.

Integration theorists have been criticised for failing to adequately account for any conflict or resistance in the workplace. In assuming that there is one coherent organisational culture, they do not address the power differentials that are inherent in the capitalist employment relationship (Gregory, 1983. Martin et al, 1985. Salaman, 1997). As the daily experiences of managerial grades and shop floor workers are different in terms of power, prestige, status and pay, differentiation theorists challenge the claims of there being one homogenous culture with mutual gains (Alvesson, 2002: ch. 3). Moreover, differentiation theorists argue that complex organisations are multicultural and consist of an array of subcultural groupings that are transient, dynamic and fluid (Pollitt, 1990. Anthony, 1994: ch. 5. Alvesson, 2002: ch. 7). As subcultures are nested, layered and overlapping, there are varying levels of subcultural belonging and actors can be members of more than one subculture at any one time (Gregory, 1983. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7). Organisational subcultures are continually created and re-created, as they are actively produced by their members and can be formed in opposition to senior management (Trice, 1993. Meek, 1995).

Foremost amongst organisational subcultures are trade unions (Turner, 1971. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7). This chapter analyses formal resistance taken by the trade unions and their members in opposition to attempts to impose

organisational culture change. Whilst differentiation theorists address the competing interest groupings within organisations, integrationists fail to account for any dissent or resistance. Hampden-Turner (1990) and Schein (1991) simply urge managers to pacify trade unions. Moreover, both Schein (1991) and Morgan (1995: ch. 5) regard trade unions as countercultural, and as will be discussed in the following section, this is a misunderstanding of the capitalist employment relationship.

Whilst there has been overt conflict and resistance at National Savings, there has also been informal resistance at shop floor level. This desubordination is not necessarily political, organised or ideological (Miliband, 1978); and involves cynicism, suspicion and an element of pragmatic acceptance on the part of workers. Informal resistance is different to the misbehaviour at work which was analysed in chapter three. These actions have been discussed in the preceding empirical findings chapters, and will be analysed in the later sections of this chapter. Occupational and shop floor subcultures are formed around common work experiences, values and beliefs, and are the autonomous property of the inhabitants (Van Maanen and Barley, 1985. Anthony, 1994. Wright, 1994. Meek, 1995).

Both Siehl (1985) and Elisabeth Wilson (1993) warn of the complications of imposed organisational culture change. Throughout this chapter I will analyse how subcultural groupings were able to impinge upon change at both the formal and informal levels.

### **The Great Contradiction – Worker Conflict and Co-operation within the Capitalist Employment Relationship**

In the preceding two sections I will examine key theories to the study of industrial relations. In this section, I will relate the theories of organisational culture change to the capitalist employment relationship. I will explain how formal trade union resistance is constrained due to the inherent power differentials in capitalism. I will also discuss the competing debates over trade union renewal through ‘partnership’ agreements, as there is an informal ‘partnership’ between SBS and the PCS union written into this Public-Private Partnership contract.

Within the capitalist employment relationship the interests of capital and labour are contradictory, and whilst for the most part there is co-operation, there is always the potential for conflict, which simmers below the surface (Kelly, 1998: ch. 3). This

relationship is unequal and based on the control and compliance of labour in order to increase productivity and ultimately profits in favour of capital; hence, one side's gain is another's loss (Hyman, 1979). This conflict is deep-rooted and not only found in the workplace, it is also evident in wider economic, social and political life (McIlroy, 1988: ch. 1. Moody, 1997: ch. 1. Kelly, 1998). However, there is co-operation as each side is mutually dependent upon the other for survival, as employers rely on workers to produce and deliver goods and services, whilst workers are dependent upon employers for jobs in order to earn a living. Hence, it is in the mutual interests of both parties that there is organisational survival, stability and success.

Integration theorists view organisations as possessing one homogenous culture which is shared and agreed by all, although some do acknowledge the existence of subcultural and countercultural elements. Indeed, Schein (1991: ch. 13) and Morgan (1995: ch. 5) claim that trade unions are the primary countercultural grouping in organisations. However, this is clearly a misunderstanding of the employment relationship, as trade unions are subcultural in that there can be differences with management, but both sides strive for organisational success. Therefore, a major criticism levelled at integration theorists is that they fail to seriously account for any conflict or resistance in the workplace (Gregory, 1983. Martin et al, 1985. Salaman, 1997). Differentiation theorists see complex organisations as being multicultural and made up of competing subcultural groupings, most notably trade unions (Turner, 1971. Brown, 1998: ch. 3. Alvesson, 2001: ch. 7). This offers a more thorough account of the differing group interests and power disparities that exist within the workplace, together with the potential for both formal and informal resistance.

Conflict, protest and resistance, along with other forms of de-subordination, occur at the point of production and are attempts by workers to transform the conditions of their control and inequality (Miliband, 1978). Organised formal resistance at work is an established phenomenon and includes: strikes, overtime bans, go-slows, working to rule, sit-ins/ occupations, political protests, petitions and sabotage (Miliband, 1978. Dubois, 1979: ch. 1. Hyman, 1979: ch. 4. Edwards and Scullion, 1982: ch. 1. Hyman, 1989: ch. 1. Kelly, 1998). Strikes and the threat to strike are the most common, overt, demonstrative and direct forms of industrial conflict (Clegg, 1980: ch. 7. Hyman, 1989). Strikes are temporary stoppages of work by employees in a calculative attempt to exert pressure to express a grievance or

enforce a demand (Hyman, 1979 and 1989). There are many forms that strike action can take: being official or unofficial, involving all union members or selective action, and varying in duration (Eldridge, 1973. Hyman, 1989: ch. 1).

As will be analysed later in this chapter, the formal collective actions of the workers at National Savings resulted in three strikes. The first two industrial disputes were against the Conservative government's Market Testing programme, the first was confined to the National Savings department, with the second being a nationwide Civil Service strike. There was also a later strike against the PPP of National Savings, which also involved political protests including: a postcard campaign to Members of Parliament, the lobbying of Parliament, a press campaign and support from other trade unions (CPSA, 1997). It is these forms of formal political protest and resistance which Kelly (1998) argues are largely unexplored; and I will go on to investigate how these actions were used by trade union activists to build up a political campaign of protest and resistance against part-privatisation.

As capital and labour have differing aims, yet are dependent upon one another, there will always be antagonistic co-operation and unsatisfactory compromise (Hyman, 1979: chs. 1 and 4). Under collective bargaining, negotiations between employers and trade unions are highly constrained, as managers have the power to set and re-set the agenda and decide which matters are open for discussion (Fox, 1973. Hyman, 1979: ch. 4). Hence, unions can only debate within this pre-set structure, so they can attempt to deal with the symptoms of capitalism but not its root causes (Hyman, 1979: ch. 4). Therefore, Fox (1973) argues that trade unions are bargaining under duress. This institutionalises industrial relations, as unions work within this restricted terrain in the hope that compromises and constraints will result in marginal improvements in terms, conditions and remuneration (Hyman, 1979: chs. 3 and 4). Hence, this is a form of social control where trade union officials moderate members' demands and manage discontent by urging workers to accept what is 'realistic' (Miliband, 1969: ch. 6 and 1978. Hawkins, 1982: ch. 4. Kelly, 1988). Yet, such reform and restraint are a precarious affair and can result in not only intra-union conflict, but wildcat unofficial strikes instigated by dissatisfied union members (Gouldner, 1955. Eldridge, 1973. Beynon, 1979. Hawkins, 1982: ch. 4).

It is widely documented that there has been a drastic decline in trade union membership, power and influence throughout the 1980s and 1990s (Ackers et al, 1996. Bradley et al, 2000. Rose, 2001). From 1979 onwards, the Conservatives

passed a series of anti-trade union laws restricting industrial action. They further undermined the legitimacy of trade unions by encouraging derecognition and the fragmentation of national collective bargaining (McIlroy, 1988. Bradley et al, 2000). Major structural changes in employment also weakened trade unions, with the decline of heavily unionised manufacturing industry and the rise of the traditionally non-unionised private sector, combined with privatisation programmes and rising unemployment (Ackers et al, 1996. Bradley et al, 2000). The trade union movement was divided with heated debates over which way to turn in order to regain lost ground. The mainstream trade union movement urged for moderation and a more co-operative approach with management (Ackers et al, 1996). Whilst under the banner of 'New Realism', Bassett (1986) went further and advocated 'no strike' agreements with employers, as he argued that strikes were now ineffective and outdated. He claimed that in order to survive, trade unions had to reposition themselves to become non-political and concentrate on providing services for their 'customer base'. Hence, Bassett argued that the class war was over, and the only struggle that mattered now was the one for new markets.

The 'social partnership' approach of 'New' Labour is also grounded in the philosophy of co-operation and consensus. Industrial relations are supposedly now de-politicised with 'partnerships' between managers, workers and trade unions – although 'partnership' agreements do not necessarily have to include unions. Under such 'partnerships' there is apparent shared agreement on business goals and organisational success, creating a new culture at work. Whilst this view is contested by numerous theorists, Ackers and Payne (1998) have the most positive take on 'social partnership' seeing it as more proactive than 'New Realism'. They argue that as 'New' Labour's use of the phrase 'partnership' is vague, this gives unions the opportunity to redefine the term in their interests. However, Terry (2003) argues that although 'partnerships' may benefit the workplace status of trade unions, it denies the legitimacy of strike action as there is now compulsory arbitration. Moreover, as most Conservative anti-union legislation remains on the statute books, Britain still has the most restrictive trade union laws of all Western economically developed countries (Rose, 2001: ch. 1. Howell, 2004). Kelly (1998) is the most critical and argues that 'partnerships' based on apparent worker/ management co-operation with claims that militancy is 'outdated' are not new, they have consistently been made throughout trade union history. Furthermore, such 'partnerships' centre around the

agenda of management, which will result in weak and ineffective trade unionism. Kelly (1998 and 2004) argues that 'partnership' approaches will not revitalise the trade union movement, and that the way forward is through traditional union militancy as the fundamental conflicts inherent within the capitalist employment relationship remain.

Whilst there is an informal 'partnership' agreement between the PCS union and SBS written into the Public-Private Partnership contract at National Savings, I will go on to analyse how the union have been prepared to defend their members' interests through strike action and the threat of it, proving that conflict is far from outdated and irrelevant. I will also demonstrate how nationally the PCS have been able to use 'partnership' agreements and the limited legislation introduced by 'New' Labour in relation to union recognition and representation, to recruit new members, particularly in the private sector by transposing their unionised culture to new sectors of employment.

### **Theoretical Approaches to Industrial Relations - Unitarism, Pluralism and Radicalism**

Alan Fox with his 'frames of reference' made the theoretical distinction between unitarism and pluralism (1973 and 1974: ch. 6). However, both theoretical perspectives are ideal-types and managers often alternate between the two models (McIlroy, 1988). In his early work, Fox advocated the pluralist approach to industrial relations (1971: ch. 5), but he later moved to a more radical standpoint (1973 and 1974: ch. 6). It is this radical approach that I will adopt in investigating industrial relations at National Savings and in the wider Civil Service.

The unitarist approach to industrial relations sees that management's right to manage is legitimate, paramount and unproblematic. This is based on the principle of simple authority where management are logical, rational and in complete control. The objectives and aims of the organisation are taken for granted, presented by management and passively accepted by the workers concerned. Hence, there is no real need for independent trade unions within this system, as management knows best in the pursuit of common interests. Whilst trade unions may be endured, unitarists do not recognise any conflict in the workplace and any questioning of managerial authority is deemed misguided, disloyal, illogical, irrational, illegitimate,

and must be suppressed (Fox, 1973. Fox, 1974: ch. 6). Historically, unitarist thought lies in the nineteenth century conservative philosophy of the right of the master over the servant, and in traditional authority and loyalty structures of family firms (Fox, 1973). There was a revival of the unitarist approach under the Conservatives, first with Margaret Thatcher and then John Major, with the mantra of 'management's right to manage' and the introduction of the anti-trade union laws (Rose, 2001: ch. 1). This view shares some of the key claims made by integration theorists (see Ouchi, 1981. Peters and Waterman, 1982), namely in assuming that there is one overarching organisational culture that is accepted by all. Management are firmly in control of the organisation's culture, and there is no place for any dissent or subcultural groupings.

Whilst unitarists argue that there is no legitimate authority but management, pluralists are more realistic and tolerant of other interest groups within the workplace who have differing aims and objectives. Hence, pluralists do accept that there will be workplace conflict and that trade unions can legitimately influence management decisions. As there is some parity in the competing claims of different interest groups, there must be established procedures for collective negotiation and compromise. Trade union leaders play a vital role in 'managing' conflict, as it is in the interest of all parties concerned that there is organisational survival and growth. This model is influenced by the Durkheimian notion of structural-functionalism, where there must be discussion, collaboration, compromise and agreement between management, unions and their members, based on tolerance and moderation. Therefore, this model does go some way to redressing the power imbalance inherent in unitarism as unions do have an important role to play, which is based on workplace consent and compromise, rather than conflict and resistance (Fox, 1973. Fox, 1974: ch. 6). Pluralistic industrial relations were very much evident in post-war consensus Britain, where there was collective bargaining, state regulation and Keynesian economic intervention to institutionalise conflict (McIlroy, 1988: ch. 1). Up until 1979 both Labour and Conservative governments accepted corporatism, whereby government, management and trade unions all had a role in determining the way forward for industry and in reaching a broad compromise on terms, conditions and remuneration (McIlroy and Campbell, 1999. Fairbrother, 2002). However, this changed after 1979 as the Conservatives rejected such politics of accommodation (Fairbrother, 2002). Again, this vision relates to some of the claims made by

integration theorists, who recognise the existence of subcultures and countercultures in large organisations. Similarly, Hampden-Turner (1990) and Schein (1991: ch. 13) call for senior managers to tame trade union demands, as all parties will gain from organisational success.

However, both unitarism and pluralism have been criticised from a radical standpoint, as both perspectives accept and endorse capitalism, and neither adequately account for the power inequalities within the workplace which always favour management (Fox, 1973. Eldridge, 1973. Fox, 1974: ch. 6. Brown, 1992, ch. 5. Kelly, 1998). Whilst unitarists dismiss trade union opposition and resistance out of hand, pluralists do acknowledge their presence but institutionalise workplace conflict within a strict framework for negotiations. Hence, there is an illusion of a balance of power and shared decision making. Fox (1973) argues that a pluralistic partnership is managerially more effective than state domination, where the use of power is more obvious and blatant. Therefore, pluralists are also defenders of the status quo as there continues to be the domination of capital over labour. Hence, Fox argues that industrial conflict is inevitable and continual.

In contrast to the claims of integrationists, differentiation theorists do account for the competing interest groups and power inequalities that exist in complex organisations. Rather than viewing organisations as possessing one homogenous culture, they see a more complex and fractured picture in looking at the reasons for subcultural formations (see Turner, 1971. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7).

In the following two sections, I will examine changes in industrial relations in the Civil Service and trade unionism at National Savings, and discuss subcultural groupings within trade unions.

### **The Changing Nature of Industrial Relations in the Civil Service**

I will now discuss the traditional nature of trade unionism in the Civil Service, which under Whitleyism resembled pluralistic industrial relations. However, this moderation did change as Civil Service Staff Associations were transformed into independent and active trade unions. This saw the development of subcultural groupings within trade unions, along with rising militancy. This will be used to theoretically inform the rest of the chapter, relating to the analysis of the formal industrial struggles that have taken place at National Savings.



From the end of World War Two up until 1979, the industrial relations landscape of the public sector in Britain was characterised by corporatism. There was legislative support for trade unionism from successive Labour and Conservative governments based on consensus, negotiation and compromise with national collective bargaining (Jenkins and Sherman, 1979. Bailey, 1996. McIlroy and Campbell, 1999). There were high levels of unionisation across the public sector and the Civil Service, as management actively encouraged all staff to join their relevant trade union (Drewery and Butcher, 1991: 121 – 123. Beaumont, 1992: ch. 3). This was mirrored at National Savings where, prior to the PPP, the majority of managers were also union members. Moreover, with the feminisation of the public sector, there were also a growing number of women trade union members (Fairbrother, 1994: 7). This created a traditionally unionised culture in the Civil Service with standard terms and conditions of employment, which were all covered under the Whitley structure (Beaumont, 1992: ch. 3).

The Whitley structure of industrial relations in the Civil Service was established in 1919. This involved joint consultation and negotiation between management and trade unions over pay, terms and conditions; and this worked at national, group and local levels (Kelly, 1980: ch. 7. Pyper, 1991: 77 – 78. Bailey, 1996). Indeed union officials at both Durham National Savings and Durham Land Registry state that Civil Service Whitley meetings were of a pluralist nature, based on the exchange of information, together with discussion and negotiation. However, the Whitley Committee meetings at National Savings were later abandoned after the Public-Private Partnership. Yet due to the pragmatic nature of the Whitley framework, there were decades of stability and consistency throughout the public sector with joint cooperation and minimal industrial conflict (Bailey, 1996).

For the most part the Whitley structure worked effectively with formal negotiation, consultation and consensus between Civil Service management and union leaders. However, the criticisms of such pluralistic procedures outlined earlier, were reflected in practice. Industrial relations became highly restricted and institutionalised, because the Civil Service unions up until the late 1960s were very hierarchical with a centralised leadership, which were often distant and remote from the membership (Fairbrother, 1994: 7). Hence, Rose argues that under ‘popular bossdom’ some trade union leaders became accepted into the status quo, as they policed the rank and file membership (2001: 132 - 133).

However, from the late 1960s and throughout the 1970s there was a notable shift in the internal politics of the Civil Service trade unions, which were transformed from Staff Associations into independent and active trade unions that now identified more with the wider trade union movement (Fairbrother, 1994: 9). The Civil Service Clerical Association removed the 'no strike' clause from its constitution in 1969, and the early 1970s saw the first official strikes by civil servants against government intervention in collective bargaining (Kelly, 1980: 107 – 109. Beaumont, 1992: ch. 3). Throughout the 1970s there was rising militancy within Civil Service unions, as left-wing activists were prepared to challenge the more 'moderate' national leadership (Heery, 1996. McIlroy and Campbell, 1999). Hence, there were power struggles between distinctive subcultures within trade unions. Such sectionalism and rivalry played an important role in changing both the culture and nature of trade unionism at National Savings.

Sectionalism is one of the oldest traditions of the British labour movement; it is widespread and significant, as there are factions within the majority of trade unions (Hawkins, 1982: 118 – 125. McIlroy and Campbell, 1999). There have been fierce debates and intense power struggles within trade unions for decades, between activists and groups both on the left and the right of the political spectrum (Kelly, 1998). Hawkins noted in the late 1970s/ early 1980s that several trade unions, including the Civil Service administrative union, effectively resembled a two party system comprising 'the establishment' who followed orthodox Labour Party policy, and 'the opposition' made up of left-wing militants. Both political groups were highly organised and ideologically opposed to one another (1982: 118 - 125). Fairbrother argues that there is a long history of political division within the Civil Service unions dating from the 1960s onwards, involving the 'Broad Left', being a coalition of socialist groups, and the 'Moderates', who are more conservative (1994: 93 - 94). However, there are debates and divisions within factions, particularly between left-wing alliances, with battles in the past amongst the Socialist Workers' Party and Militant Tendency (McIlroy, 1988: ch. 5 and 1999). There have been regular, and sometimes dramatic, swings of power between the left-wing and right-wing factions regarding overall democratic control of Civil Service trade unions (McIlroy, 1988: ch. 5). Indeed, it is not untypical for there to be major divisions between the left-wing activists who dominate union conferences and the 'Moderate' National Executive Committee (Fairbrother, 1994: 93 - 94).

Sectionalism is still very evident in the Public and Commercial Services union, which represents the vast majority of civil servants. The Branch Secretary at Durham Land Registry, Kevin Kelly, is currently a 'Left Unity' activist and on the newly elected left-led National Executive Committee. Kevin states that 'Left Unity' is made up of the following diverse left-wing groupings: The Socialist Party, The Socialist Workers' Party, The Socialist Alliance, The Scottish Socialist Party, Workers' Liberty and the Communist Party. Yet interestingly, most members of 'Left Unity' are independents and not aligned to any particular grouping. In opposition are a faction calling themselves 'PCS Democrats', whose politics are more middle-of-the-road; together with the 'Moderates', who are a mix of 'non-political' trade unionists and Blairites, who in the past have included Conservatives in their ranks. The transformations and power struggles between subcultural groupings within trade unions is interesting in not only changing the culture of the union, but also in its impact on the changing culture of the workplace.

I will now examine the traditionally unionised culture of National Savings. Following on from this section, I will then analyse the intra-union conflict of the Civil Service unions and how this impinged upon attempts at opposing the Conservative government's policies of commercialisation and privatisation. Later in this chapter, I will demonstrate that affirmative action taken by the unions at National Savings resulted in active and participative trade unionism, and the development of a highly unionised culture which workers still strongly identify with post-PPP.

### **The Extent of Trade Unionisation at National Savings**

Trade union density at National Savings is traditionally one of the highest in the Civil Service (CPSA, 1997), particularly in the traditionally 'Old' Labour heartlands of Glasgow and Durham. As stated in the earlier chapters, union membership for the whole of NS&I currently stands at a massive 92%, and is 90% at the Durham site. This is interesting as there has been a considerable decline in general trade union membership throughout the 1980s and 1990s (Bradley et al, 2000: ch. 5). However, the extent of unionisation in the public sector is traditionally stronger than that of the private sector. Yet given this trend, the union membership at NS&I is still very impressive, as in 1999 the average membership density of public sector unions stood

at 60% (cited in Fairbrother, 2002: 68). Indeed, the unions at National Savings have not only consolidated, but they have actually grown, as in 1996 trade union density stood at 82% (CPSA, 1996), this increased to 85% in 1998 with the union recruiting new members every week (PCS, 1998), and by 2000 union membership reached 90% (PCS, 2000). These statistics on union density are all the more remarkable given the huge decreases in staffing levels due to several 'voluntary' redundancy exercises. The union representatives claimed that the steady rise in membership was due to fear, concern and trepidation over the commercialisation and part-privatisation of National Savings. In his research on trade unionism in the Civil Service, Fairbrother uncovered similar motives with staff seeing unions as offering protection against such changes and uncertainties (1994: 9). As stated in chapter one, all of the interviewees joined their respective trade unions as soon as they started work at Durham National Savings, reflecting the highly unionised culture of the department. At the start of the commercialisation and partial-privatisation of National Savings there were three separate Civil Service trade unions representing workers. The Civil and Public Services Association (CPSA) was the administrative workers' union, whilst both the National Union of Civil and Public Servants (NUCPS) and the Public (Service) Tax and Commerce Union (PTC) represented the executive and support grades. All of these unions merged in 1998, just prior to the Public-Private Partnership of National Savings, to form the Public and Commercial Services Union; and this move will be examined later in the chapter.

I will now analyse trade union activism at National Savings, and how the transformation of subcultural groupings led to orchestrated and sustained industrial action against government initiatives.

### **Trade Union Activism and Mobilisation Theory**

In this section, I will examine how union members became activists, and how this political activism led to the 'Broad Left'/'Left Unity' trade union faction becoming the dominant subcultural grouping in the branch. This is significant, as these trade union activists helped transform the culture of the branch, and were instrumental in mobilising member support for action.

There is a noticeable gap in the extant literature addressing why trade union members decide to become involved in unions and how this participation develops

into union activism. These issues were addressed in my research with the trade union representatives at National Savings, and I will analyse how these activists launched campaigns and were able to mobilise member support against the commercialisation and part-privatisation of the department.

Two of the senior trade union officers interviewed said that they initially became involved in the CPSA union due to their family background, as their fathers had been miners and the 1984/ 1985 miners' strike had a huge impact in influencing and developing their own personal political views.

A major factor in my trade union involvement was my family background, in terms of my upbringing, and socialist beliefs that my father had, in particular. I also think the polarisation of society during the '80s under Thatcher was a watershed, where you either went one way or the other, and I think I chose the right way. (Chris, union official, interview, 2002)

I got involved in the union because of my family background, you know, my dad was a miner and he was always telling me about the union. So it was just my upbringing and it's been a big belief in my family for as long as I can remember, to join a union. That's been installed in me since I was a nipper. (Paul, union official, interview, 2001)

Indeed other union representatives also stated that they too held socialist/ left-wing political views, together with a principal belief in the vital role of independent trade unions in defending their fellow members' terms and conditions of employment. Moreover, Brown (1998: ch. 3) states that union members typically embrace the cultural values of collectivism and the right to strike.

Another senior representative first became involved in the CPSA union after a local official helped him through a difficult situation at work.

I nearly got sacked [from National Savings] for my sick leave and the union rep who saved my job suggested to me that I get involved in the union. So I thought, well I'll do something because other people need the protection that I got, so I got involved as a local rep. (Steve, union official, interview, 2002)

It was this altruistic notion of helping others which Clegg et al uncovered as one of the motivational reasons as to why workers become actively involved in trade unions (1961: ch. 5). In the quote below, the same union rep claims that defending the interests of your fellow workers is a highly satisfying job.

I don't think there's a better job in the world than representing your work mates; of taking on the employer when they are wrong and convincing them at other times that they can do things better. (Steve, union official, interview, 2002)

Tracy, one of the female union reps, states that trade unionism is central to her fundamental beliefs and values. Indeed the importance of the Women's Committees, firstly in the CPSA and their continuation in the merged PCS, must be noted as they have encouraged more female union participation.

Trade unionism is part of my core values (*laughs*)! It's just part of what I've always believed in, because what you can't achieve individually, you can achieve collectively. I'd always wanted to be a union rep, but I was a single parent and I had childcare problems, which I think affects a lot of women's participation. It was at the point where I didn't have those childcare responsibilities that I became active. I would have done it a long time before that. I think I would have been able to do it today with the help you get now. (Tracy, union official, interview, 2001)

All of the union representatives said that they became more and more involved in the union as they were interested in helping their fellow members, emphasising the collectivism and camaraderie of the work. Many decided to take their union work as far as they could, as what they failed to gain from bureaucratic and hierarchical administrative employment, they attained through being union representatives, such as, autonomy, variety and control at work, together with the chance to develop skills involving public speaking and negotiating.

I also got involved as a union rep due to a lack of opportunity within the workplace, a lack of promotion and other opportunities. I was sitting

thinking I had things to offer, but was just filing all day. I got more heavily involved in the union and liked the work. It developed me as an individual, it brought on skills that I would never have used without coming into the job: public speaking, negotiation skills and counselling skills. Helping people in particular, in personal case situations, I gained immense satisfaction out of that, and delivering for members. It was a satisfying and motivating job. (Chris, union official, interview, 2002)

Similarly, another union official also talks of the challenges and opportunities for personal development open to trade union activists.

I was a senior rep, I did the National CPSA Conference a number of times, I was involved with the pay negotiating teams, the Market Testing teams and I was also involved in the Public-Private Partnership. I did all of this as an administrative worker. There's nowhere else that'll give you that opportunity, where you'd be speaking to managers on a level playing field, where you'd get an opportunity to speak on the television and do radio interviews. You **really** get a chance to take it as far as you want and it gives you a buzz, if you've got that type of nature. (Jim, union official, interview, 2002)

Regarding the issue of trade union sectionalism, the union at Glasgow National Savings has traditionally always been militant. However, this was not the case at the Durham site and one of the union officials discusses the intra-union conflict which took place prior to the 'Broad Left' (now known as 'Left Unity') eventually taking control of the CPSA branch.

There was a big polarisation within the CPSA union at the time, between the left-wing and right-wing, and I was quite young and idealistic - I probably still am idealistic, not so young now (*laughs*) - and there was a massive split between the left and the right. I was in the 'Broad Left' side, and it was quite acrimonious within the branch between the two big factions. (Chris, union official, interview, 2003)

Hawkins (1982) and also Kelly (1998) state that trade union factions are ideologically opposed and well organised. This was also the case during the 1980s in the CPSA union branch at Durham National Savings, with election campaigns and hustings. There was also a social side to this factionalism and some of the union reps played in a band doing political fundraising gigs, inspired by the political punk rock of The Clash, The Jam and The Ruts.

We [the 'Broad Left'] used to put out bulletins at [branch, group and national] election time and hand them out on the doors to staff coming into the office. We used to organise social events, I was playing in a band at the time with others who were involved in the 'Broad Left', and we used to play at these social events, it was really good, it was at that time in the mid-'80s where we had 'Red Wedge' with Billy Bragg and Paul Weller. (Chris, union official, interview, 2003)

The divisions between the different union factions which McIlroy analysed in relation to Civil Service unions more broadly (1988: ch. 5 and 1999), also existed within the Durham CPSA branch. This resulted in an unlikely tactical amalgamation between the 'Moderates' and Communists, to try to prevent the 'Broad Left' subcultural faction from taking overall control of the branch.

There was the Communist and Trotskyist wing within the 'Broad Left'...we were all in the 'Broad Left' to start with, and the old Communist wing broke away into another faction and joined forces with the 'Moderates' to try and keep out the young bucks, as it were. (Chris, union official, interview, 2003)

As the Durham office has a long-standing workforce, it is worthy of note that the activists involved in the 'Broad Left' were much younger than those of other union factions. After years of heated debate, these 'Broad Left' activists eventually became the majority subcultural grouping on the Branch Executive Committee (BEC) at Durham National Savings. This act is significant in that it resulted in these young representatives being able to change the union culture of the branch, to influence and mobilise support for action against the commercialisation and privatisation policies of the Conservative governments.



It was just an on-going battle, eventually the 'Moderates' did get voted off the BEC and we [the 'Broad Left'] took over the branch. I think that had a lot to do with changing the membership as we definitely generated a discussion and, almost an under-current of, "something's happening". I know there were some issues with the management as well, I think they were looking over their shoulder and thinking, where have all these young lefties come from? (Chris, union official, interview, 2003)

From the early 1990s onwards, Durham National Savings has continued to be a 'Broad Left'/'Left Unity' branch, although there have been a number of changes in the elected personnel in positions of prominence.

In explaining collective formal conflict and resistance at National Savings, I shall use mobilisation theory to demonstrate how the union activists were able to generate and organise support for industrial action against government directives. John Kelly (1998) draws on and develops mobilisation theory, which was originally analysed by Charles Tilly, particularly in his 1978 book *From Mobilization to Revolution*. Tilly explains how political campaigns are generated and can develop towards wider social change (cited in Kelly, 1998). In the case of the workplace, worker interests have to be defined in opposition to management (Kelly, 1998). At National Savings member interests were more specifically against Conservative and 'New' Labour policies, yet there was reluctance to introduce several governmental directives on the part of National Savings management. Trade union organisations mobilise campaigns around a sense of illegitimacy, injustice or wrong doing (Tilly, 1981. Kelly, 1998). Such as, government plans to privatise areas of National Savings; and in response, unions then plan collective action. Kelly emphasises the key role that left-wing union activists have in building and sustaining support for the campaign (1998). The way in which the 'Broad Left' activists were able to be democratically elected on to the Branch Executive Committee and transform the culture of the branch has just been discussed. Yet I will go on to argue that there was also pressure from below, with the Civil Service rank and file in opposition to both Market Testing and the Public-Private Partnership. Hence, union activists worked together with the grassroots membership. Finally, Kelly argues that unions have to be organised and attack counter-mobilisations by management (1998). In the case of National Savings, there were government assurances that the PPP was a 'win - win'

situation for all parties concerned; yet, as will be discussed later, there was widespread scepticism to these claims, and the union were able to build a campaign of opposition.

I shall now analyse the government directives that have been introduced at National Savings from the early 1980s onwards, together with organised formal resistance to these organisational culture change initiatives on the part of the unions and their members.

### **The Financial Management Initiative – the First Tentative Signs of Formal Opposition to the Commercialisation of the Civil Service**

The Financial Management Initiative was the first step in the Conservative's concerted quest for a more business-like Civil Service. Whilst the unions voiced opposition, they were unable to mobilise support for industrial action as they had recently been defeated in a long-running pay dispute.

As has been discussed in previous chapters, the introduction of the FMI in 1982 was the initial stage in the commercialisation of the Civil Service. This policy encompassed some of the early features of New Public Management, with the imposition of strict budgetary controls and clear performance objectives (Pollitt, 1990. Drewry and Butcher, 1991: 204 – 206. Ferlie et al, 1996: ch. 2). The Civil Service unions were critical of the FMI, and claimed that the policy was primarily about cutting public expenditure and reducing staffing levels (Hall, 1983. Beaumont, 1992: ch. 3). However, as the Civil Service unions had just been defeated by the Thatcher government in 1981 after a 21 week pay dispute over fair comparability with outside industry (Fairbrother, 1994: 94. Horton, 1996. Rose, 2001: 336), they were not in a position to mount a serious challenge to the FMI. Yet they were not the first trade union to be defeated at the hands of the first Thatcher government, the steel workers also met a similar fate in 1980 (Dudley and Richardson, 1990). Again, this is a key characteristic of New Public Management, where governments directly confront independent trade unions in order to reassert management's right to manage (Hood, 1991). A senior trade union representative argues that the unions only mouthed opposition to the FMI, as the union leaders did not believe they could mobilise support for strike action. Also, as has already been covered in chapter three, the policy had very little direct impact on the working lives of frontline civil servants.

The unions' campaigned against FMI at the time, but not very seriously to be honest. It was political rather than any other type of opposition; it didn't involve the membership, other than write to your MP. We'd just been defeated in a big pay campaign and, therefore, I don't think the union leadership felt the confidence was there to take on what was an esoteric struggle in the eyes of members, because it's not something that affected them directly at their desks. (Steve, union official, interview, 2002)

Yet, as covered in chapter two, there was management reluctance from some senior civil servants to the FMI, who saw such private sector management principles as alien to the culture of the Civil Service, which limited the impact of the policy (Likierman, 1984. Metcalfe and Richards, 1984. Pyper, 1995: ch. 3).

### **Agency Status – Formal Opposition to the Fragmentation of a Centralised Unified National Civil Service**

The introduction of Agency Status from the late 1980s through to the mid-1990s resulted in the break up of a centralised and unified Civil Service with nationally negotiated collective bargaining, as has been analysed in chapter three. Although some Civil Service managers were reluctant to implement this Conservative directive, intra-union divisions neutered any effective action against Agency Status. Yet, I will go on to show that the more militant National Savings Group were able to negotiate better pay deals than the then 'Moderate' National Executive Committee (NEC). As the NEC is now dominated by 'Left Unity', more affirmative action has been taken to return to national pay bargaining, culminating in recent strike activity.

Agency Status was a Conservative government directive aimed at changing the culture of the Civil Service via decentralisation, with the separation of policy from service delivery (Hood, 1991. Pilkington, 1999). However, the Treasury voiced concerns as they did not want their control over Civil Service expenditure devolved and subsequently weakened (Pyper, 1991: ch. 6 and 1995: ch. 3). Indeed, a senior union official argues that this was the case at National Savings, as management were coerced into introducing Agency Status by the Conservative government, which resulted in the department being one of the last government Agencies to be created in 1996.

We [National Savings] were one of the last Agencies to be created, because the Treasury opposed Agency Status. They were forced to make their sub-departments – National Savings is a sub-department of the Treasury – Agencies at the end of the process, in the mid-‘90s. And to be honest, we didn’t even call ourselves ‘The National Savings Agency’, we just called ourselves ‘National Savings’, we didn’t even use the title. And if you look at, for instance, Customs and Excise, which are related to the Treasury, they created Executive Units, not Executive Agencies. The Treasury doesn’t want to lose financial control from the centre, by definition Agencies are exactly that, policies are made at the centre and the delivery is done under the Agency. The Treasury didn’t like that, so Treasury departments and sub-departments were created as Agencies late in the day, under political duress from the government. (Steve, union official, interview, 2001)

The same was also true of the Land Registry, which is part of the Vice Chancellor’s Department, as those in charge did not welcome or enthusiastically embrace Agency Status (Smith, 2000). Hence, there is a management power struggle, where those heading Civil Service departments did not want to decentralise power, control and authority.

The Civil Service unions opposed Agency Status, fearing that it would lead to the devolvement of national pay and the introduction of Performance-Related Pay, together with increased workloads for staff (CPSA, 1990). Regarding trade union action against Agency Status, intra-union politics came into play where there was division between the ‘Broad Left’, who wanted nationally organised collective action against Agency Status, and the ‘Moderate’ NEC, who were less inclined to take a stand. This resulted in an unofficial conference being arranged by ‘Broad Left’ activists.

There was a half-hearted national campaign set up against the introduction of Agency Status, because those at the top of the union didn’t share the views of the active layer. There was division between the [‘Moderate’] National Executive and conference/ the activists [of the ‘Broad Left’]. The National Executive generally mouthed opposition, but did nothing, and the conference wanted to do more. In fact, we [the ‘Broad Left’] had an unofficial

conference in Birmingham in 1989 to organise opposition because the national union wouldn't do so, but the wheels of power were not ours, and in the end that delivered awareness rather than activity. (Steve, union official, interview, 2001)

Fairbrother argues that one of the aims of Agency Status was to break the power of the national Civil Service unions, so that they could be redefined along the 'New Realist' agenda of pursuing enterprise goals. Agency Status did, as the unions' feared, result in the end of national pay negotiations, although collective bargaining and Whitley Committees remained intact on an Agency level (Fairbrother, 1994: 46 – 47. Bailey, 1996). However, Fairbrother views such changes in a positive light, arguing that Agency Status brings with it new opportunities of more active and participative trade unionism (1994 and 2002). As Agency Status ends the centralised stranglehold of moderate and remote national trade union leaders, it opens the door to a broader platform for more union reps to become actively involved, including more women and part-time workers (Fairbrother, 1994). Indeed, from Fairbrother's research on the Civil Service he found that active and committed union reps on a group level were able to negotiate better pay awards than had been made under the 'Moderate' national union leadership (1994). Indeed the union reps state that this was also the case at National Savings; and this fact is documented in the 1998 branch report (PCS, 1998).

Although I will go on to argue that Fairbrother (1994) is correct in his analysis that Agency Status has been beneficial for active grassroots trade unionism; I must offer qualified support as this change has only been beneficial for some unions within government Agencies, certainly not all. The fact that the union at National Savings has fared so well is down to their organisation and strength. In other Agencies, weaker unions have suffered with some administrative grade civil servants being paid up to £4, 000 a year less than their counterparts in other departments, which can extend to as much as £10, 000 per annum for executive grades (PCS, 2004c). Therefore, I have to agree with Bailey (1996) that Agency Status has suited the stronger unions. Whilst there has been Treasury control over Agency pay structures and wage bills (Bailey, 1996); pay differentials have expanded over time with huge disparities across Agencies, to the extent that some administrative workers in the Benefits Agency are paid less than £10, 000 a year and are actually on benefits

themselves (Happold, 2004). Hence, there is now a PCS campaign to return to nationally negotiated standard pay settlements (PCS, 2004c). This has involved recent strike action in three government Agencies by around 90, 000 civil servants in April 2004 against low pay and the imposition of pay rises by 'New' Labour (PCS, 2004c. Hall, 2004); indeed such direct government intervention is unitaristic in nature.

Although Fairbrother (1994 and 2002) argues that Agency Status does open opportunities for participative trade unionism at a local level, he overlooks the principle that national unions can also be strong, organised, democratic, active and militant, and therefore, have substantial bargaining power to protect members' interests. The widespread decentralisation of pay under New Public Management did not just affect the Civil Service, it generally diluted public sector trade union power and collective strength (Heery, 1996). As indicated below, the union representatives at National Savings are all too aware of these implications.

Agency Status changed the attitude of management to terms and conditions, and it changed the attitude to bargaining in the workplace. It certainly made it more difficult for unions to defend [members'] terms and conditions, because the pressures on managers were much more focused. (Steve, union official, interview, 2001)

Through the introduction of some of the key principles of New Public Management, including strict Agency performance targets and pay parameters, the manoeuvrability for unions to take effective and national action was restricted.

The introduction of Agency Status at National Savings resulted in growing unease from union members as Civil Service jobs had previously been regarded as 'jobs for life'. Indeed, the views of Doreen are typical of the workers I interviewed.

I think we were all very nervous of what the next step was going to be after Agency Status, when we were under Thatcher, you know. We were just praying that nothing else would happen, that our jobs would be secure, and that we would just go on as before, really. I think everybody was terrified of the future. (Doreen, worker, interview, 2003)

In 1993 the Conservative government conducted the Prior Options Review, which revealed that Agencies were now a transitional step towards the possible contracting out of certain services to the private sector and could even result in full-scale privatisations (Pilkington, 1999: ch. 7. Rose, 2001: 337). Katz (1993) argues that the widespread global decentralisation of pay and conditions led to an overall reduction in wages and enabled management to introduce further organisational changes. Indeed, a senior union official agrees that Agency Status did pave the way for a movement from commercialisation to privatisation at National Savings; and this will be investigated in the following two sections.

Agency Status opened the way for the likes of outsourcing and it opened the way for Market Testing in particular, which was the big fear of staff at the time. (Chris, union official, interview, 2002)

### **Compulsory Competitive Tendering – the Thin End of the Privatisation Wedge**

The introduction of Compulsory Competitive Tendering at National Savings in the 1980s was the first element of peripheral privatisation in the organisation, with the outsourcing of security, cleaning and catering. However, as certain groups of workers were represented by different trade unions it was difficult to mobilise any form of organised and collective formal action against this government directive. Moreover, although CCT only directly affected a small number of marginalised workers, it was viewed by the unions as the thin end of the privatisation wedge, creating widespread concern over the future of the Civil Service.

As discussed in chapter two, CCT was part of a wider Conservative policy of contracting out areas of the public sector and Civil Service to the private sector, to supposedly improve efficiency and reduce costs under New Public Management (Hood, 1991. Osborne and McLaughlin, 2002. Hughes, 2003: ch. 3). Another aim of this strategy was to curb, what the government saw as, the excessive powers of public sector trade unions (Ascher, 1987: ch. 4. Beaumont, 1992: 62). CCT was mandatory in the Civil Service and National Health Service, as the government made it clear that there was no opportunity to retain work in-house (Beaumont, 1992: 62).

Trade union arguments against CCT were that private sector contractors would reduce staffing levels and then subsequently increase workloads, together with cutting wages, terms and conditions in order to maximise profits (Batkin, 1983. Ascher, 1987: ch. 4. Beaumont, 1992: 63). However, existing employee terms and conditions are now protected under TUPE legislation. Furthermore, there is no evidence that service delivery actually improves through privatisation. Indeed, critics argue that quality often deteriorates and the private sector proves to be a more costly option (Batkin, 1983. Morgan, 1995).

Staff working in the areas which were outsourced under CCT at National Savings, particularly catering and cleaning, are typically female part-time workers who are already low-paid (Fevre, 1991. Morris, 1991). As these workers are part of a traditionally changing workforce and marginalised, they were prime targets for privatisation. Yet, it was very difficult for the trade unions to effectively respond to CCT, as the government stated that there was no alternative to the policy. Moreover, as CCT only affects a minority of employees, it is often difficult to mobilise other workers into defensive action (Whitfield and Hall, 1983. Ascher, 1987: ch. 4). Furthermore, as these employees were represented by the NUCPS union, there was little that the main union on site, the CPSA, could do as any secondary action was now illegal under the 1984 Trade Union Act. There was widespread sympathy from other workers at National Savings to the plight of those who were now privatised, particularly once it emerged that the unions' fears became reality, as terms, conditions, wages and staffing levels were cut by private sector contractors.

It was difficult to challenge CCT...I mean, you really needed to mobilise the rest of the workforce to support them. Although there was general support as other workers thought they were getting a rough end of the deal, especially when they found out that, on certain contracts, wages were being cut, or wages were remaining the same and staff numbers were being cut, so they're doing twice the amount of work. (Chris, union official, interview, 2002)

Moreover, during the CCT of catering at the Land Registry, workers had to re-apply for their jobs at substantially reduced wage levels, which led to similar feelings of empathy from other employees within the organisation (Smith, 2000).



Indeed, as the trade unions had argued, the privatisation of catering at National Savings proved to be consistently problematic, and by 1996 the fourth private sector contractor had withdrawn from the contract (CPSA, 1996).

Those areas that were subject to CCT are traditionally risky areas for employees. Catering went through about four different employers since privatisation. The cleaning contract has had about five or six different employers, and each time the private sector contractors have had a look at terms and conditions. The cleaning contract, in particular, has been notorious. (Chris, union official, interview, 2002)

There was a similar scenario relating to both the CCT of catering and cleaning at the Land Registry, where each went through a series of different private sector contractors (Smith, 2000).

Whilst the Civil Service was only marginally affected by CCT (Pyper, 1995: 65); the introduction of Market Testing increased the threat of privatisation throughout the service, and this will be analysed next.

### **Market Testing – the Start of the Fight Back Against Privatisation in the Civil Service**

The same aims and objectives of Compulsory Competitive Tendering were used with the Conservative government's plan to Market Test areas of the Civil Service, namely to dismantle the public sector and open it up to further private competition. There was a rolling programme of Market Tests at National Savings which began in the early 1990s, details of which were discussed in chapter three. The introduction of Market Testing resulted in the first industrial action taken by the National Savings Group Executive Committee (GEC) against the privatisation programme of the Conservatives, together with another nationally co-ordinated day of action. Yet once again, there was management reluctance at implementing this initiative.

Market Testing was more wide-ranging than CCT, and potentially any civil servants' job could be re-assessed and privatised. Critics argue that the threat of privatisation has a negative impact upon the workforce (Batkin, 1983. Hastings,

1983). In keeping with these claims, the trade union officials interviewed also stated that Market Testing resulted in a decline in workplace morale at National Savings.

Workplace morale plummeted when Market Testing was introduced. There is nothing worse than your employer saying, “We’re going to test to see if you are worth it.” It de-values people. (Steve, union official, interview, 2002)

As stated in chapter three, although none of the workers I interviewed at DNS were directly affected by Market Testing, many spoke of their concern for fellow workers in areas being tested, and the fear that they could be next.

Well, I hate Market Testing, because I think the Civil Service should remain within the public domain. People were fearful for their futures, they really were. **It was an awful time!** (Julie, worker, interview, 2003)

Market Testing was totally stressful, people were totally **demoralised**, they were **demotivated**, they didn’t know what was going to happen, everything was so uncertain. All of a sudden, people who’d had what they thought was a secure job for life were thrown into major confusion about whether they were even going to have a job at all! (Doreen, worker, interview, 2003)

However, in several Agencies there was reluctance on the part of Chief Executives at introducing Market Testing, as they felt that the pressure to meet quota targets went against their authority under devolved responsibility (Pyper, 1995: ch. 3). Some management teams favoured in-house bids; as did those heading National Savings, and after 13 departmental Market Tests, all work was retained in the public sector. Indeed, a senior union official states that National Savings management put catering, cleaning and security – which had already been outsourced under CCT - on the Market Testing list to meet the government’s Efficiency Unit targets.

Market Testing was a government policy, and again, the Treasury weren’t very keen on it. So, I have to be honest and say that the Treasury Department did not embrace Market Testing particularly brilliantly. They carried it out because they had to. Also, in National Savings with 90 odd per cent union

membership, the last thing the management wanted was a fight with us on Market Testing. So Market Testing was quite minimal and we did not transfer **one Civil Service job** to the private sector; and I have to say that's true of Customs and other Treasury Agencies as well. I think we were working with a management who were **pretending** to be opposed to our point of view. (Steve, union official, interview, 2001)

Moreover, one of the workers interviewed states that she felt that there was reluctance on the part of National Savings management to outsource areas to the private sector.

I think we had a very sympathetic group of managers who were making the decisions regarding Market Testing at National Savings. I also think they probably felt that staff experience and how the organisation worked was worth a lot as well. (Angela, worker, interview, 2001)

Regarding mobilisation theory (see Tilly, 1981. Kelly, 1998), the CPSA union at National Savings were able to mobilise members and generate support for collective strike actions over the sense of injustice at government proposals for Market Testing. There was an Agency-wide strike when the announcement of the first Market Test of Typing was made, and the union officials stated that the vast majority of members came out in sympathy and solidarity with the Typists.

The members were fantastic during the Market Testing campaign. We had sympathy strikes for people when the first Market Test of Typing was announced in October '92. All three [National Savings] offices walked out on a Friday afternoon when the decision was announced. The members were great, absolutely great, and that was a good factor in telling the employer, "Don't get involved with us." (Steve, union official, interview, 2002)

Fairbrother also notes that there were similar strike actions against Market Testing in the Benefits Agency (1994: 103 - 4). Moreover, a senior union rep states that National Savings management were well aware of trade union strength and member

feeling over Market Testing. In the quote below, he claims that there was even management empathy for their actions.

We had a strike actually, which shows management's attitude to Market Testing. We had a Departmental Whitley Council meeting in Glasgow [National Savings] on the day that they were formally announcing the first Market Test, which was Typing. And we had warned them [NS management] that we would be having industrial action on the day, even though it would be illegal, because we were going to hold a car park meeting, have a show of hands and walk off the job when the announcement was made. And the Director of Savings, the most senior civil servant at National Savings, sat across the table, and we said to him, "This meeting will have to finish at 11[a.m] because we have a mass meeting in the car park." And he said, "That's fine." He was on the site, we were holding an unofficial strike and he helped us do it, he didn't object, he registered no protest. So the CPSA reps walked out of the meeting, the PTC and NUCPS reps – as was – stayed there because they were not holding similar strikes, and they got hell off their members because their members came to our meeting and walked off as well. We had a mass meeting in the car park, held a show of hands and we all went home. The fact that it was a Friday and pay day helped as well! (Steve, union official, interview, 2001)

This strike shows unofficial inter-union loyalty over Market Testing, as other union members walked out in support of the action taken by the CPSA; even though the strike was actually illegal under the 1984 Trade Union Act, as there was no secret ballot prior to the industrial action. It also demonstrates how trade unions have to be pragmatic in mobilising support for industrial action by tactically playing to their strengths and calling for a half-day strike on a Friday afternoon, which coincided with pay day.

There was a second strike at National Savings over the issue of Market Testing, this was a national strike on 5<sup>th</sup> of November 1993 involving all of the Civil Service unions, where over one-quarter of a million civil servants took industrial action (Pyper, 1995: 16). A senior union official argues that the widespread activist and member support to challenge Conservative government policy meant that there was

grassroots pressure, which forced the 'Moderate' dominated NEC of the CPSA union into mobilising industrial action.

There was a national November 5<sup>th</sup> strike in 1993, when the whole of the Civil Service came out and it was an absolutely massive day of action. I have to give them credit, because I was on the National Executive Committee at the time - in a ['Broad Left'] minority - but they [the NEC] did work for that one, and they delivered a huge day of action across all the Civil Service unions. We reckon that 300, 000 members were on strike that day. It was **the** big issue of those couple of years to people, and I suspect that – this is my opinion – that the national union leaderships, who in the past have not been very supportive of fighting, felt the pressure from below on this one. (Steve, union official, interview, 2001)

As was discussed in chapter three, workplace morale did improve at National Savings as more and more in-house bids were successful. However, there were tensions over in-house bids between managers and the unions, as a senior union officer explains below, because some managers were unnecessarily pressurising staff into giving up terms and conditions which were now protected under TUPE law. Therefore, if work was outsourced to a private sector employer, then existing terms and conditions would automatically be protected on transfer, so there was no need to give up certain rights in the hope that this would help retain work in the public sector.

The worry for the unions though, at the time, was that hard won terms and conditions were being questioned by [Market Testing] In-house Bid Teams. I remember a number of instances where leaders of In-house Bid Teams were almost blackmailing staff by saying, "If you don't give up this, this and this, we'll not win this contract and you'll be transferred out to a private sector employer." I stood up as a senior rep at a couple of In-House Bid Team meetings and told staff to hold tight and not to give up anything. The union advised them to pull their bid together around existing procedures, not on giving up flexi-time, or special leave, or hospital rights; on the premise that if you were transferred out, your terms and conditions on a TUPE transfer would have to transfer over to the private sector. So if anyone was assessing

a bid, terms and conditions are on a like-for-like basis, the private sector had to meet those terms and conditions because it was a TUPE transfer. So why should you give them up with an in-house bid? (Chris, union official, interview, 2002)

Despite successfully retaining all work in-house, the unions and their members now faced a much larger outsourcing involving the whole of the service delivery under the Public-Private Partnership programme. Prior to the implementation of this policy, the main Civil Service unions merged, and I will now examine this strategic move.

### **Trade Union Merger in the Prelude to the Public-Private Partnership**

In this section I will discuss and analyse the merger of the main Civil Service unions in forming the PCS, Britain's largest and most influential Civil Service trade union. I will go on to argue that this was a pragmatic and strategic exercise to offer broader membership protection and security, at both a national and group level. This was particularly relevant at National Savings as the unions merged in 1998, just after the announcement of the PPP was made, and such unity and solidarity were vital when dealing with the major changes that were on the horizon.

Trade union mergers are not a new phenomenon, indeed several industrial relations theorists argue that they are cyclical and generated for a number of reasons, some of which are fundamental, whilst others are more historically specific (Undy et al, 1981: ch. 6. Buchanan, 1985. Towers, 1997: ch. 6. Kelly, 1998: 94 – 95). Earlier merger waves were identified as being between 1917 – 1922 and 1961 – 1975, and the common reasons for amalgamation were the introduction of new technology, inter-union disputes over demarcation and competition for new members (Undy et al, 1981: ch. 6. Buchanan, 1985). The most recent spate of union mergers took place during the 1980s and 1990s with the formation of 'super unions', such as, UNISON and the GMB who represent a wide diversity of members in general areas of employment (Towers, 1997: ch. 6). Indeed this is such a common occurrence, that Griffin and Fairbrother (2002) go so far to talk of a 'merger frenzy'. Traditionally union mergers are usually defensive, as due to a decline in member numbers it is

essential for unions to amalgamate in order to survive and to gain more effective financial control (Undy et al, 1981: ch. 6. Towers, 1997: ch. 6. Griffin and Fairbrother, 2002). Yet, union mergers can also consolidate bargaining power and offer greater security with a broader membership base (Undy et al, 1981: ch. 6. Hawkins, 1982: 92 – 93. Buchanan, 1985). I want to go on to argue that these are some of the reasons as to why the Civil Service unions decided to merge.

On the 1<sup>st</sup> of January 1998 the CPSA, NUCPS and PTC unions officially merged to form the PCS, Britain's largest Civil Service trade union (PCS, 1998). Nationally, members voted 2:1 in favour of merger on the grounds that a broad Civil Service membership base would enhance collective unity and strength (CPSA, 1997). Yet at National Savings, because several executive grade union officials had left the organisation through 'voluntary' redundancy, the CPSA branch were effectively operating as a merged union prior to the official merger taking place.

The reason the unions merged was because some of the PTC and NUCPS reps took voluntary redundancy and we [the CPSA officials] ended up actually representing higher grades, despite the fact that we didn't have recognition for them prior to the merger. So it seemed a natural progression for the unions to merge. (Chris, union official, interview, 2002)

However, one of the initial barriers to the union merger was the hierarchical nature of the Civil Service. Due to the CPSA representing administrative grades, and NUCPS being the executive/ managerial grades' union, there could be inter-union conflict with a 'us' and 'them' attitude between the grades. Fairbrother also noted such perceived class differences in the Civil Service unions (1994: 109).

I've always argued that it would be the best for the unions to merge. The problem we [the union reps] had was the memberships didn't believe that, because the nature of the old union, being grade unions, meant that every victory CPSA got, individual managers took that personally, and didn't want to be represented by the people who had given them, what they saw as, a kicking. (Steve, union official, interview, 2002)

However, those in favour of a merged Civil Service union state that any possible in-fighting can be solved through clearer structures of representation so that all opinions are heard.

There are difficulties in it [a merged union], but what you have to try and do is make sure that your representative structures take account of that and that the voices of any minorities, whether they're grade, gender, race or other types of minorities, actually come through. The grade minorities are no different in that sense, and some areas are management heavy with small admin staffs, and other areas, like ours, are huge admin areas with small management staffs. (Steve, union official, interview, 2002)

However, in the case of the National Savings Group more specifically, it was vital that the unions put aside their differences and merged, once the announcement of the Public-Private Partnership was made in 1997 (PCS, 1998).

The issues that we are facing [through the PPP] mean people have no choice but to merge. What drove these two groups of workers [from the CPSA and NUCPS/ PTC unions] together was the privatisation, because the issues are so big and all encompassing that people saw more in common than they saw dividing them. (Steve, union official, interview, 2002)

There are critics who are sceptical of trade union mergers, with Fairbrother and Griffin (2002) claiming that results are at best neutral, and Towers (1997: ch. 6) arguing that mergers do not halt member decline. However, in Bacon and Storey's research (1996), the merger of UNISON was strategic, rather than solely defensive, with the aim of creating a broader membership base in order to increase bargaining strength. The merger of PCS nationally was similar, in that it was pragmatic and strategic to challenge the threats civil servants faced in terms of continuing commercialisation and possible privatisation or part-privatisation through PPP and PFI deals.

The PCS union is currently the fastest growing trade union in the UK, in 2002 there were over 270, 000 members (PCS, 2002b), and this has expanded to currently stand at 310, 000 members, making it the country's sixth largest trade union (PCS,



2004d). In 1998 the Commercial Sector of PCS was established, where members who were privatised would continue to be represented by the PCS. Most interestingly the Commercial Sector is the fastest growing section of PCS, it started off with 10, 000 members, which increased to 25, 000 by 2002 (PCS, 2002b), and is currently around 40, 000. Due to 'New' Labour changing the law on trade union recognition and representation, the PCS have been able to transfer their unionised culture to the private sector, mainly through PPP and PFI deals, but they have also been able to pick up members from previously unchartered territories by way of 'partnership' agreements (PCS, 2004e). This is a new and interesting development of trade union renewal and growth, which counters recent trends

In the following sections of the chapter, I will demonstrate why the union merger at National Savings was essential in both the run up to the PPP and in challenging many of the new initiatives that were to follow.

### **The Trade Unions' Campaign against the Public-Private Partnership**

The appointment of a Chief Executive from the private sector to head the newly established National Savings Agency signalled a change in management style, with the endorsement of the, then Conservative government's, policy of PPP. I will go on to analyse the trade unions' campaign which resulted in the first ever industrial action to be taken against 'New' Labour, but was blunted by inter and intra-union conflicts. I shall go on to argue that 'New' Labour's decision to drive forward the PPP has resulted in more disharmony and conflict at National Savings, despite the claims of a new 'partnership' at work.

The prelude to the introduction of the PPP at National Savings signals a change in management direction and industrial relations style, from the old Civil Service conciliatory approach, to a more confrontational style with the arrival of a new Chief Executive. In July 1996, Peter Bareau was appointed as the first Chief Executive of the National Savings Agency; he had previously been the General Manager Personnel of Lloyds Bank PLC (HM Treasury, 1996). One of the primary aims of New Public Management is to transform the cultures of public sector organisations through the adoption of private sector management techniques and the employment of senior managers from the business sector (Hood, 1991. E. Wilson, 1993).

Furthermore, Isaac-Henry (1993) argues that the Conservative government believed that many public sector managers lacked the determination and will to implement organisational culture change. Hence, private sector managers were deliberately recruited for this purpose and offered lucrative salaries that reflected the market norm. Indeed, the CPSA union officials reiterate this point and claim that Peter Bareau was brought in to drive forward the PPP of National Savings, and as the previous management team had been reluctant to implement many of the Conservative's initiatives, they were unlikely to favour PPP.

Peter Bareau was not a civil servant; he was working for Lloyds Bank in the private sector. He was brought in by the Tory government for a purpose, to lead the privatisation of National Savings. As the Treasury/ Civil Service had been opposed to Market Testing, they weren't going to sell the whole lot off [via PPP] were they? (Steve, union official, interview, 2002)

Hence, this was a political appointment, aimed at facilitating culture change via the implementation of the Conservative's new Public-Private Partnership policy. This is a major break with tradition, as previously career civil servants managed departments, and the conscious selection of a Chief Executive to endorse government policy is the antithesis of the foundational and democratic values of public administration (Hood, 1991. du Gay, 2000).

We got a new Chief Executive at the time – Peter Bareau - who was just really pro-PPP. He believed that PPP was the way forward and that he should just be managing the core policy makers at National Savings Headquarters, and a private sector partner could run the business. I think he drove the PPP of National Savings more than anyone else. (Chris, union official, interview, 2002)

In the quote below, a senior union official claims that the reputation of Peter Bareau as an executor of radical change went before him.

Peter Bareau had been working for Lloyds Bank and he'd gone in and gutted it, basically. So, it was no surprise when he was named as 'the man' [the

Chief Executive of National Savings]. As you'd imagine, as soon as he was in the frame, the union went and did their homework and found out what he was all about and, you know, it wasn't hard to find his reputation. (Paul, union official, interview, 2003)

The appointment of Peter Bareau as head of the newly established National Savings Agency marked a major change in the direction of the organisation.

In 1996 the Conservative government proposed the Public-Private Partnership of National Savings. All of the trade unions at National Savings were fundamentally opposed to this policy, especially after the successful retention of all work in-house which had recently been the subject of Market Testing (CPSA, 1996 and 1997). Just as in the Market Testing campaign, the unions were able to successfully mobilise member support around a defensive campaign to keep National Savings a public sector organisation and to retain its Civil Service status. In the quote below, a senior union official outlines the unions' main arguments against the PPP of National Savings.

Basically we [the trade unions] thought that PPP was more expensive than traditional government funding. It was a massive blow for the staff and it took away their career status as civil servants. It threatened their terms and conditions, and still may do down the line. It would not necessarily deliver a better service for customers; SBS have no history in financial services. (Steve, union official, interview, 2001)

Moreover, the following quotes below are typical of the sentiments from all of the workers I interviewed at Durham National Savings as to why they supported the trade unions' stance against part-privatisation.

I supported the campaign against the PPP because I didn't want to be privatised. I didn't want to work for an organisation...you know, all the classic stuff, it was profit before customer service. People in National Savings were very proud of what they gave to their customers, and we didn't believe that that was going to continue in the private sector. (Doreen, worker, interview, 2003)

Not only were both the trade union officials and workers in agreement that the PPP could threaten National Savings' renowned customer service, but there was also a questioning of the inherent contradiction of a private sector company attempting to make a profit out of a public sector organisation. Moreover, workers were also doubtful of the claims made by both the government and the private sector contractors that the PPP would benefit all parties concerned.

Being a bit of a socialist, I was opposed to the privatisation of public sector work. We were sold the line that the PPP would bring more opportunities for staff, but staff were skeptical of the promises made by the government or the company. I think that's why the union got such big support for the campaign that they ran. (Colin, worker, interview, 2003)

Also as mentioned in chapter four, as the PPP was such a new initiative, workers believed that they were entering into unknown territory which led to an increasing identity with the trade unions to ensure employment protection.

With reference to mobilisation theory (see Tilly, 1981. Kelly, 1998), the unions were able to build a campaign of opposition against the PPP as this policy was unpopular from the outset as it was a clear continuation of the New Public Management agenda. Staff saw this policy as a threat to their employment status and job security. There were also concerns that the customer service of National Savings would suffer, as a private sector 'partner' would primarily be motivated by profit. Whilst the union activists did launch the campaign against the PPP, there was also strong rank and file support. Moreover, the unions and their members were aware of, what Kelly (1998) terms counter mobilisations, and unconvinced of the assurances made by both the government and the companies bidding for the contract.

The unions at National Savings started a campaign against the Public-Private Partnership as soon as plans were announced by the then Conservative government. They received support from all of the relevant constituency MPs, particularly the Durham Labour MP Gerry Steinberg (CPSA, 1996). In the run up to the 1997 General Election, 'New' Labour stated that there would be a moratorium on Market Testing and a halt to privatisation in the Civil Service (CPSA, 1997). Moreover, the CPSA union at National Savings received a letter from the then Labour Shadow Civil Service Minister, Derek Foster, in April 1997 stating that the threat of partial-

privatisation would be removed on the election of a 'New' Labour government (CPSA, 1997). Understandably, the unions urged members to support 'New' Labour in the forthcoming General Election so that National Savings could retain its threatened Civil Service status. However, upon 'New' Labour coming to office the trade unions and their members were to be bitterly disappointed, as a senior union official explains.

The PPP of National Savings was launched by the Tories in 1996. We [the unions] ran a campaign against that and got a letter of support from New Labour dated April '97 saying they would never allow the privatisation of National Savings, which I've still got, signed by Derek Foster MP, who to his credit left the Shadow Cabinet over issues like this and didn't get a job in the Cabinet. After the 1997 General Election we met Mrs. Helen Liddell, our Minister at the Treasury, and she told us she was going ahead with the PPP, the process had been started, it was in the budget plan and had to go ahead. So, they lied to us! (Steve, union official, interview, 2001)

Helen Liddell, the then Economic Secretary to the Treasury, agreed with the recommendations made by National Savings management, under the leadership of Peter Bareau, to proceed to the next stage of the PPP process where the short listed companies were invited to negotiate their final proposals (CPSA, 1997. PCS, 1998).

There was a 2 year trade union campaign against the PPP of National Savings involving: a petition signed by staff to the Agency Chief Executive – Peter Bareau, over 2, 500 postcards from union members to the Minister responsible, letters to MPs, support from other Civil Service trade unions, a constant stream of press releases and a lobby of Parliament (CPSA, 1997). This culminated in a one hour strike staged by all of the trade unions on 10<sup>th</sup> of October 1997 at 11a.m. At Durham, this walk out was followed by a lunchtime public meeting in the Town Hall with Gerry Steinberg MP being the guest speaker, with over 500 DNS union members in attendance (CPSA, 1997).

Although the unions' strike action against the PPP at National Savings only lasted one hour, it is significant for a number of reasons. It was the first strike action taken by any trade union against Tony Blair's 'New' Labour government, which is important when seen in the context at the time. McIlroy (1998) argues that many in

the trade union movement felt pressurised to comply with government policy, even if they disagreed with it, for fear of a right-wing backlash. This action also took place at a time when relations between 'New' Labour and the unions were more relaxed, with Waddington (2003) claiming that the unions were hopeful of a more progressive/ socialist agenda. It is also noteworthy that the strike proved to be highly effective in creating solidarity and in attracting new members, as the CPSA picked up 50 non-members at the Durham site alone in the run up to the strike (CPSA, 1997), and the union continued recruiting members throughout the campaign (PCS, 1998). This endorses the claims made by Kelly (1996 and 1998) that union militancy can pay off in terms of bolstering membership numbers.

The campaign against the PPP of National Savings involved the first industrial action against New Labour by anybody, in October '97, when we were on strike for a whole one hour. I scoffed at that, but we couldn't take the PTC [union] and the executive grades unions to any more than that, they would only go for a one hour stoppage. So we had a one hour stoppage in October '97 and we got fantastic media coverage, because it's theatre in the making, an office emptying at 11 o'clock. What television never gets, is when people go on strike, they get a picket line the next morning with six people there. What they got this time was people walking out of the buildings, it was fantastic. So if anybody's ever going to do that, I'd say go for it, because you get more media coverage out of that than you do from a one day strike. We were on telly all day. (Steve, union official, interview, 2001)

Thus, the one hour strike was visually highly effective with television cameras capturing hundreds of National Savings staff pouring out of offices, which helped aid the impact of the protest action and raise the profile of the union (CPSA, 1997). Yet, as the walk out only lasted one hour, it does not meet the official criteria for a strike as its duration was less than one day (Hyman, 1989: 17).

The decision by the 'New' Labour government to proceed with the PPP of National Savings also brought division within the party's ranks, with Gerry Steinberg MP openly criticising government policy at the Durham Town Hall rally (CPSA, 1997).

On transfer across to Siemens Business Services, we [the CPSA] had really good parliamentary support from the local MPs, Gerry Steinberg in particular. We had a day of action when the PPP announcement was made [on 10<sup>th</sup> of October 1997] and we had a mass meeting in the Town Hall in Durham with Gerry Steinberg as the guest speaker. And despite the fact that Labour in opposition a week prior to the General Election of 1997 had given a letter in writing saying they would stop the privatisation of National Savings; a year later they reneged on that pledge and went ahead with it. So Gerry Steinberg knew it was Labour government policy, he knew what the implications might be for the staff who were working at this site and he put his head above the parapet and attacked the Labour government. (Chris, union official, interview, 2002)

However, there were both intra and inter-trade union divisions over the question of taking further industrial action against 'New' Labour's plans to carry out the PPP of National Savings. Whilst the then 'Moderate' National Executive of the CPSA union approved the one hour strike on 10<sup>th</sup> October 1997, there were intra-union divisions as they resisted calls from the National Savings GEC to endorse further industrial action. A senior union officer claims that this was because the NEC, at the time, were ardent supporters of 'New' Labour. Furthermore, there were also inter-union divisions as both the PTC and NUCPS were not prepared to take further action, and the National Executive of the CPSA felt that any divisions could jeopardise the imminent merger of the unions.

But we [the National Savings GEC] were blocked from taking further industrial action even if we wanted to, when the [PPP] contract was announced in December '97/ January '98, by the National Executive Committee who have friends in high places with the election of New Labour. But I have to say, the PTC were not going to come with us, so the CPSA National Executive were not prepared to go alone, because at that time we were discussing the merger with PTC and we wouldn't want to be seen as different. (Steve, union official, interview, 2001)

However, some of the senior union officials argued that had the national leadership of the CPSA supported the Group Executive with nationally co-ordinated action, then they could have won their campaign to halt the Public-Private Partnership of National Savings. Instead, as the NEC and the other unions involved decided to take no further action, it was now impossible for the Group Executive to oppose the 'New' Labour government over this policy.

The biggest disappointment I've ever had is the privatisation [PPP], and I know that had the national union organised a national campaign against privatisation we could have seen this off. That was disappointing, that the national leadership didn't want to do that, they were too close to the New Labour government in its honeymoon period. So they left us [the GEC] on our own, and we couldn't fight a government on our own. (Steve, union official, interview, 2002)

Yet the protest actions were positive, in that they sent out a message to the private sector bidders for the PPP contract that they would be dealing with a strong and organised merged union who would vigorously defend their members' terms and conditions of employment (PCS, 1998 and 1999).

The campaign against the PPP definitely raised awareness and made the union strong, which was very, very helpful. Actually, one of our aims was that if we were going to be defeated in the privatisation campaign, we wanted to show SBS or EDS that they were dealing with a very strong union that had masses of support from the membership. In fact, we did that, they both quoted us actually, rather than trying to keep us at a distance. (Steve, union official, interview, 2001)

As mentioned earlier, the trade unions at National Savings and their members hoped that the election of a 'New' Labour government would see the removal of the PPP threat (CPSA, 1996). However, once in power, 'New' Labour decided to carry out the PPP, and writing in the 1997 Branch Report, a senior union official speaks of feeling betrayed both as a voter and a member of the Labour Party (CPSA, 1997). Another senior union official agrees and claims that members were "devastated"



after 'New' Labour went back on their election pledge and decided to implement the Conservative Policy of the part-privatisation of National Savings.

Our members were absolutely devastated after New Labour carried out the PPP. Many of our Durham members come from Sedgefield, Tony Blair's own constituency, and made it clear to him what they thought. In Glasgow, another strong Labour heartland, we never thought we'd see Labour privatise anything, far less ourselves. Members were absolutely gutted by it! In Blackpool it was particularly devastating, because Blackpool had never had Labour MPs until 1997, and I know there was a general swing to Labour across the country, but what happened in Blackpool was a lot about the work that we [the unions] did locally about the Tories privatising us [National Savings], people had voted Labour on the back of it. There was absolutely no doubt that as the biggest single employer in Blackpool, the fact that the [National Savings] Premium Bond Office meant something, we had an impact on that election. And people were **gutted**, absolutely **gutted**, probably more so than the other two sites; because here they'd been Tory all their life, they change allegiance because they think it'll save them from PPP, and the buggers still do it to them! (Steve, union official, interview, 2001)

The quote below is representative of the feelings of the workers I interviewed at Durham National Savings to 'New' Labour's decision to complete the Conservative's PPP process.

We knew that the Tories were going to do that [carry out the PPP of National Savings], all we thought we had to do was keep our heads below the parapet and a Labour government would come in and it would be OK. Instead we faced the biggest outsourcing of, not just a Civil Service department, but a government financial organisation, in the history of this country. So we were all **extremely pissed off about that**, you know, we were all devastated, and everybody was frightened. (Doreen, worker, interview, 2003)

Whilst the unions' campaign against the PPP was essentially a defensive one, they were open and pragmatic in offering several alternatives so that National

Savings could remain in the public sector. When the unions met with Helen Liddell MP they argued that modernisation could be delivered under the Public Sector Comparator, rather than through a 'partnership' with the private sector (CPSA, 1997). They also suggested, as a senior union official explains below, that National Savings could be able to trade by taking on additional Third Party Business by utilising existing staff and processes as a public sector organisation; as discussed in chapter four, this did actually happen under the PPP.

The government could have given us [National Savings] the status that they've given the Post Office, and the unions suggested it, of being able to trade. The Post Office got that status last year [in 2000]. The unions asked for that as an alternative to PPP, the right to go out and take on contract work ourselves. The government said that wasn't possible, and yet the Post Office have already got exactly what we asked for. (Steve, union official, interview, 2001)

Furthermore, a senior union official states that the unions also suggested that the government could issue new National Savings products to the public and, therefore, fund its own modernisation programme. However, all of these alternatives were rejected by the government as they were adhering to the Conservative's budget plan. Moreover, 'New' Labour's favoured method of public sector modernisation is through 'partnership' with the private sector (Blair, 1998).

Whilst the current 'New' Labour government favour a 'partnership' approach to industrial relations, with negotiation and consensus between both sides of industry; there was no such compromise over the introduction of this PPP at National Savings. 'New' Labour dismissed the legitimate protest actions of the trade unions and their members out of hand, and forced through the Public-Private Partnership.

However, since the implementation of the PPP at National Savings there have been some significant changes in personnel on both the trade union and management sides. After a bitter intra-union battle, the High Court ruled that attempts by the 'Moderate' PCS General Secretary Barry Reamsbottom to extend his reign from May 2002 until April 2004, when he retires, and overturn the democratic election result of a new General Secretary, were illegal. Therefore, from June 2002 a new PCS General Secretary was elected, being Mark Serwotka, the 'Left Unity' candidate

(PCS, 2002j and 2002k). Since then there has been the democratic election of a 'Left Unity' led NEC which has seen a shift in union stance, which a senior union rep at National Savings was predicting more generally, over the future of PPP and PFI projects.

The government are signalling that there will be more PPPs, but I think equally the Labour movement are signalling that enough is enough. So I think that the national campaign that the Group Executive wanted might materialise. There's a lot of water that's fallen under the bridge. A lot of trade union leaders are making noises now that have done in the past but not delivered. Certainly there's a pressure from below, similar to the pressure we were putting on in the Civil Service that led to the Market Testing strikes, coming about from the government's announcements on PPP. It's just a shame for us that it's four or five years too late. (Steve, union official, interview, 2001)

The National Executive of the PCS union are now running a 'Protect Our Public Services' campaign which, subject to the decision of the members directly affected, will support actions against privatisations. The union also offers protection to those members' whose employment has already been contracted out to the private sector (PCS, 2004f).

There was also a change on the management side in 2003, with the appointment of a new Agency Chief Executive, Alan Cook (NS&I, 2003). He replaced Peter Bateau who left to become the Chairman of Surrey and Sussex Strategic Health Authority (SSSHA, 2003), only after collecting his CBE (Commander of the (Order of the) British Empire) in 2001 for his work at National Savings (BBC, 2001).

There were generally good industrial relations in the Civil Service, under the Whitley framework. However, at an early stage in the Public-Private Partnership the Whitley structure was dissolved, and despite there being a 'partnership' between SBS and the PCS union, industrial relations have continually been tense. Yet there has also been informal resistance by shop floor workers to many of the initiatives that SBS have implemented at National Savings.

### **Informal Resistance to SBS's Culture Change Initiatives**

Whilst there has been formal opposition from the trade unions and their members to many of the government directives implemented at National Savings, there has also been informal resistance to SBS's attempts at culture change. SBS have tried to win the battle for hearts and minds by persuading staff to embrace new values, norms and beliefs. Yet there has been informal resistance from the shop floor to many of SBS's policies, involving cynicism and desubordination.

It must be noted that there was never cultural cohesion when National Savings was part of the Civil Service. Shop floor staff were disenchanted with the routine and repetitive nature of low-level administrative work, and disgruntled with the lack of promotions and other opportunities. However, at least working at National Savings was a safe and stable 'job for life'. The PPP was viewed by staff as an immediate threat to their employment security. SBS attempted to persuade staff to accept and internalise new organisational goals and values by running road shows highlighting the new opportunities they would create. The pay offer for the first year of the PPP was relatively generous and promptly agreed, and SBS offered to honour the Civil Service long-service award scheme. Salaman (1997) and Kunda (2003) claim that road shows and concessions are an attempt to win the hearts and minds of employees, to generate a homogenous organisational culture. I want to argue that some of the changes introduced by SBS did benefit sections of the workforce, but not all, and there was growing dissatisfaction when SBS failed to live up to expectations.

SBS held seminars and attempted to persuade staff that the PPP would have positive implications as the company would be able to generate Third Party Business and create new opportunities for shop floor workers. SBS did have some limited success in winning Third Party Business contracts and some workers did volunteer to transfer over to this new contract work. However, shop floor workers became disillusioned when SBS only managed to create just over half of the insourced work they had originally predicted. Staff were further demoralised when SBS compelled a number of workers to transfer over to Third Party Business contracts. This only heightened complications regarding staff loyalty, as workers were opposed to the PPP from the outset, and now some were forcibly transferred over to new contract work. Kamada (1994) stresses the negative implications that forced transfers can have on employee identity.

In a further attempt to transform the organisational culture, SBS introduced a new grading structure under Team Working and a new promotion system of Open Vacancy Advertising. By offering new promotion opportunities, SBS hoped to win over hearts and minds as many workers were frustrated with the lack of progression in the Civil Service. Whilst some staff were promoted by SBS at an early stage in the Public-Private Partnership, the majority of shop floor workers did not gain from these opportunities. Furthermore, there were tensions with the movement to a new promotion culture, and some of the executive grades who were dissatisfied with this new system opted to 'volunteer' for redundancy. Once a new cohort of Team Leaders were in place, promotions immediately ground to a halt. Indeed, some shop floor staff felt that the new Team Leaders were merely reciting company rhetoric and toeing the line. Frontline workers did not feel any more empowered under Team Working. As discussed in chapter five, workers were well aware that the Team Meeting agenda was highly constrained, and there was clearly recalcitrance with Julie stating that "we just take the piss." Team Members were disillusioned with this new system and felt that their views were not actively listened to by SBS management.

Informal resistance to many of the changes at National Savings has also been evident in the number of workers willing to 'volunteer' for redundancy. Whilst there were 'voluntary' redundancy exercises before the Public-Private Partnership, SBS have further reduced the workforce from 4, 100 to 2, 000 employees; this was partly down to their inability to create the insourced work they originally planned to attract. Several integration theorists advise releasing those who do not adhere to the new culture (see Peters and Waterman, 1982. Schein, 1991. Kotter and Heskett, 1992). Indeed, SBS used redundancy to release established managers and drafted in their own external management team to cleanse the organisation of Civil Service traditions. However, one of the failings of SBS was that they did not make best use of existing staff, their wealth of experience and tacit knowledge. Moreover, Turnbull and Wass (2000) and also Worrall et al (2000) talk of the problem of 'survivor syndrome', as redundancy can compound feelings of job insecurity, with those who remain being placed under increasing workplace pressure. This is indeed the scenario at National Savings, and many of the shop floor workers do not feel part of the new SBS culture.

SBS have created a multi-tier workforce, which did not previously exist at National Savings. This is bifurcated, with temporary workers on inferior terms and

conditions to core ex-civil servants, and SBS managers on far higher remuneration packages. Those interviewed felt that there was a deliberate reliance by SBS on temporary staff, due to allowing too many core staff to leave via redundancy. Once again, staff were cynical of SBS's motives for generating a multi-tier workforce, and they did not welcome the new norms and values of this culture.

Another cause of discontent amongst shop floor staff were the difficulties of obtaining summer leave, particularly as the workforce consists of many working mothers who would prefer leave during the school holidays. Staff were also dissatisfied with SBS's unwillingness to appoint a new Welfare Officer, and many interviewed felt that the company did not take the issue of workplace stress seriously.

SBS soon faced mounting difficulties on the Public-Private Partnership contract when they failed to deliver Business Process Re-engineering to the agreed timetable. This resulted in direct intervention from Siemens AG, with the appointment of a new SBS senior management team. SBS held staff road shows entitled 'Building Tomorrow Today', where senior managers explained the difficulties they had encountered and outlined their plan of action (PCS, 2001a). Salaman (1997) and Kunda (2003) state that carefully orchestrated presentations are an attempt to win the sympathy of employees and colonise the culture of an organisation. However, staff interviewed felt that these road shows had a demoralising effect, as their efforts were not fully appreciated and they now faced escalating pressure to make more efficiencies and cost savings. In a further effort to make a profitable return on the deal, SBS planned to outsource sections of National Savings to other private sector contractors, but this was met with formal resistance and will be analysed in the following section.

### **SBS Proposals for Further Outsourcings and the Threat of Industrial Action**

As SBS were not achieving their projected profitable return on the PPP deal, radical action was taken with the appointment of a new SBS senior management team to run the National Savings Account. One of their first proposals, during the winter of 2001/ 2002, was to outsource, what they now defined as, two peripheral areas of National Savings to other private contractors. As examined in chapter four, the first proposed TUPE transfer of 15 accountancy workers to SASC at Durham National

Savings went ahead, despite formal opposition from the union and the staff involved. The second proposed TUPE involved the transfer of 390 staff across all three sites from the Document Management Unit to Astron, a private contractor. Astron were formerly known as Tactica, who ironically prior to that used to be Her Majesty's Stationery Office, a Civil Service department (PCS, 2002c). In this section I will analyse the reasons behind the decision to outsource the DMU, and the campaign by the union and the membership to defend the status of National Savings as a homogenous account.

As the new SBS management team had to take drastic measures in order to turn the contract around, they decided to cut the headcount on the National Savings Account by outsourcing the Document Management Unit, claiming that it now constituted peripheral business. However, critics argue that there are dangers in defining what is core and peripheral business, as if key areas are contracted out then this can lead to the hollowing out of the organisation (Jarillo, 1993: ch. 3. Milgate, 2001: ch. 2). These were the same concerns put forward by the union, stating that as SBS were already encountering problems attracting Third Party Business, without the Document Management Unit the chances of insourcing work to National Savings would be further diminished (PCS, 2002c).

SBS's argument [to outsource the DMU] is not a very sound one from our [the union's] point of view. They say this work is no longer a part of our core business. The work is mail opening, mail sorting, scanning of documentation and preparing the electronic document. It also cuts across their argument that they wanted to take on National Savings work to give them an end to end business processing platform, so that they could then win other Third Party Business contracts. If they take away the beginning and the end of the process – the mail opening and mail sorting, as well as the despatch area – then all they are left with is the middle, and they ain't going to win many outsourcing contracts with the middle. (Steve, union official, interview, 2002)

Moreover, the union were given assurances at the start of the PPP contract by the government that National Savings was a homogenous account (PCS, 2002c). Hence, the fear of the union and their members is that this is a potential threat to all staff and could lead to the fragmentation of the account (PCS, 2002c). Also, the union felt

that it was unfair to put 390 workers through a second TUPE in three years, which could threaten job security, terms, conditions and pensions.

The PCS union set out a four pronged campaign strategy to oppose the planned secondary TUPE of the Document Management Unit to Astron.

Firstly, we're obviously engaging the employer to put forward the case against outsourcing to try and convince them not to do it.

The second arm of the strategy is to put political pressure on the government. We reckon we've got two cards, we've got the card of, "You gave us assurances, are you as good as your word?", and local MPs got the same assurances. The other arm of the political strategy is that the government are currently involved in a debate on whether PPP is a good idea for the entire workforce: the health service, London Underground and local government. They're giving these workers the same assurances they gave us. Well what are those assurances worth if we come along and say publicly, "Hold on a minute, you're getting the same assurances that we got. Let me tell you, they ain't worth a jot!" The other card is to say, "Do you want a mini-Railtrack?", with contractual relationships within a homogeneous unit that make it ineffective. You cannot solve problems because what you have is a blame culture of two sides trying to get out of their contractual arrangements to each other, rather than solving problems.

Thirdly, there's a publicity wing, now if we were to create a fuss around this secondary TUPE, we would embarrass the government and SBS in public, because they've had fall downs in the IND, the Passport Agency and they'd be having a fall down in the National Savings contract.

And fourthly, there is an industrial action strategy, which we obviously aren't talking about because that will be used as and when we need it with as little notice to the employer as we can give, but it is substantial. (Steve, union official, interview, 2002)

The union received unanimous backing from members across all of the National Savings sites to oppose this mooted secondary TUPE transfer (PCS, 2002d). Once again, regarding mobilisation theory (see Tilly, 1981. Kelly, 1998), the union were able to mobilise member support for action against an unpopular SBS management



proposal. Moreover, there was also pressure from below, with staff fully supporting the PCS campaign. Furthermore, since the launch of the campaign another 20 union members were recruited (PCS, 2002e). This endorses Kelly's claim that union militancy can be positive in generating solidarity (1996 and 1998). The union also built up a political campaign and received support from the relevant local Labour MPs against the proposed outsourcing (PCS, 2002f), and gained widespread national and regional media coverage during their campaign (PCS, 2002g). A petition was also started, to be signed by all union members who were against the TUPE transfer, and to be presented to Ruth Kelly MP, the government minister responsible for National Savings, NS&I management and senior SBS management (PCS, 2002h).

Meanwhile, an in-house bid was tabled and the union supported the main principle of retaining the Document Management Unit within the homogenous NS&I Account (PCS, 2002h). After some deliberation, SBS management decided to opt for the in-house bid, rather than outsource the DMU to Astron (PCS, 2002i). The union immediately welcomed this decision and the removal of the threat to 390 workers across the three sites (PCS, 2002i). Senior union officials claimed that they were not surprised that the in-house bid was successful, as the current workers in the DMU are vastly experienced at their duties. Once the decision was made to retain the work in-house, the PCS union subsequently wound down their campaign (PCS, 2002i). However, as with successful Market Testing in-house bids, the pressure remains on workers to deliver to set targets.

### **Increasingly Acrimonious Industrial Relations at National Savings and ACAS Intervention**

There were increasingly drawn out negotiations in 2003 between SBS management and the PCS union over the pay review and pay deal, particularly over the issue of the individual monitoring of staff. As discussed in chapter five, SBS management were especially keen to introduce individual monitoring, claiming that it incentivises staff and rewards the best performers. However, the trade union and their members have consistently opposed any form of Performance-Related Pay arguing that it is inherently unfair because it is subjective, divisive and fails to motivate the majority of staff. I will now analyse how this deadlocked situation resulted in intervention from the conciliation service ACAS for the first time ever at National Savings.

During the 'honeymoon period' at the start of the PPP deal, pay negotiations were negotiated quickly and effectively at National Savings. This was not the case in the Civil Service under Agency Status, as pay deals were consistently delayed as Agency managers and the unions had to wait for Treasury approval (Gagnon, 1996). However, pay negotiations under SBS soon became protracted with more hard-edged bargaining due to the financial difficulties the company were encountering on the PPP contract.

In 2003 the pay deal was supposed to be finalised in January, yet by May intensive negotiations were continuing with no compromise in sight. SBS were determined to individually monitor staff, whilst the union and members were unanimously opposed to this measure (PCS, 2003a). The company proposed that the on-going dispute be taken to ACAS and the union agreed, under the condition that any settlement must be approved by a ballot of the membership (PCS, 2003b). In the quote below, a senior union official states that ACAS did help both sides reach a negotiated settlement, with the union suggesting Team-Based Performance Pay as an alternative to individual monitoring.

We [the PCS union and SBS] went to ACAS, they locked us in separate rooms for three days...that's basically what it was like, they wheeled our lunch in, you couldn't get out. At the time I thought there's no point, it's not going to help, but I must admit ACAS were extremely helpful. It was the union, actually, that came up with the idea of Team-Based Performance Pay. So, instead of Joe Bloggs filling in his sheet and saying, "I've done this many cases." Your whole team says, "This is our new weekly total." It's not individualised. (Paul, union official, interview, 2003)

SBS agreed to this compromise, involving Team-Based Performance Pay. The new pay review with an offer of 3.89% were recommended by the GEC and put to the membership (PCS, 2003c), who unanimously accepted the deal. However, due to such lengthy negotiations members eventually received their 2003 pay rise in August, eight months later than originally planned.

Whilst the union is fundamentally opposed to any element of Performance-Related Pay, they did have to compromise through the introduction of Team-Based Performance Pay, as they saw it as the lesser of two evils. However, as discussed in

chapter five, there are still dangers in this bonus system relating to peer pressure, not to mention the controversial use of financial quotas. Yet the fear of the union is that a year down the line SBS will come back with fresh proposals to introduce individual monitoring. Hence, the trade union claim that these conflicts over individual monitoring and remuneration packages will continue. This is indicative of the increasingly fraught culture of industrial relations at National Savings, particularly given the financial pressures on this 'partnership' contract. Yet there has also been resistance on the level of the shop floor to the incentive schemes introduced by SBS, as will be analysed in the following section.

### **Informal Resistance – the Pragmatic Acceptance of Financial Benefits by Shop Floor Workers**

I will now examine the use of financial incentive schemes by SBS in an effort to persuade staff to embrace new organisational goals, values and norms. Whilst critics claim that such schemes represent managerial attempts at colonising the organisational culture, I will go on to demonstrate that there is a pragmatic acceptance by workers of financial benefits, which does not necessarily mean that they are subscribing to a new culture.

Proponents argue that Performance-Related Pay incentivises staff and rewards the best performers (Connell and Wood, 1992: ch. 4). PRP was introduced when National Savings was part of the Civil Service, but the unions were fundamentally opposed to PRP and members consistently voted for its abolition (PCS, 1999b and 2001c). At the informal level, all of those interviewed were critical of PRP, even managerial grades and staff who benefited from the scheme believed that it was divisive and the cause of resentment. As PRP was already unpopular, staff were highly critical of SBS's proposals to introduce individual monitoring. There was also shop floor dissatisfaction with the use of pay scales, and workers wanted to return to the traditional standard pay-for-the-grade system. Moreover, the creation of a multi-tier workforce with higher rates of pay for SBS managers and specialists, whilst temporary workers were on lesser terms and conditions, in comparison to core ex-civil servants, also resulted in feelings of animosity.

As discussed in chapter five, SBS introduced the Employee Bonus Scheme to incentivise and reward staff. However, the scheme was divisive as it did not equally

reward all workers for their yearly efforts, which runs counter to managerial efforts to foster a homogenous culture. Whilst shop floor staff remained sceptical, there was pragmatic acceptance with Colin realistically stating, “no one’s going to turn down a few hundred quid at the end of the year.”

SBS have also introduced the Siemens Share Scheme, and there was a 70% staff uptake primarily due to the offer of £1, 000 worth of free shares from the company to those who participated. The fears of Willmott (1993), Wright (1994) and Kunda (2003) that this is an attempt at cultural colonisation are echoed in the quote from Angela, “they [SBS] are trying to get you to buy into the company in more ways than one.” However, staff viewed this as a detached financial reward, and many sold their shares at the first available opportunity, simply regarding this as what Roberts and Wilkinson (1991) refer to as “extra dosh.” Staff are not internalising new values and beliefs, as Julie states, “I’ve bought some shares, I don’t believe in them in all honesty...it means bugger all to me.” Hence, there is informal resistance on the shop floor to many of the changes implemented by SBS, together with a pragmatic acceptance of the benefits.

### **The Ability of Employees to Restrict Organisational Culture Change**

In this section, I will examine two instances of where shop floor employees at National Savings have been able to limit SBS’s culture change agenda.

As discussed in chapter five, there was a questioning of existing quality procedures by SBS on the grounds of cost. This indicates that SBS failed to understand the ethos of the public sector. Once again, it raises the dilemma of a business ‘partner’ attempting to make a profit out of a non-profit organisation. Yet shop floor staff informally reverted back to long-established quality procedures, ensuring that the embedded culture and traditions survive.

Whilst staff were dissatisfied with SBS’s implementation of Team Working, as it did not offer them more job autonomy, they have been able to exert some influence under Lean. Critics argue that lean production is aimed at increasing output, whilst simultaneously reducing costs and eliminating jobs (Moody, 1997: ch. 5. Bradley et al, 2000: ch. 2). Shop floor workers interviewed were aware of the agenda behind Lean, and two workers were quoted in chapter five stating that they believed that Lean was about “doing yourself out of a job.” However, workers have been able to

use their influence to make cuts with regards to resources rather than staffing levels. This is a form of what Stephenson and Stewart (2001) term 'workplace collectivism', with workers protecting each others' jobs. Yet, as will be analysed next, temporary jobs were about to be sacrificed as SBS were given the go-ahead to offshore Civil Service work to India.

### **The First Ever Offshoring of Government Work in the UK**

Towards the end of my research, in August 2004, SBS came up with another proposal which would result in the further fragmentation of the National Savings Account. Rather than outsourcing a peripheral area of work to another private contractor, they planned to offshore 250 government jobs to India. This is a significant act as it was to be the first ever offshoring of government work in Britain. The plans to offshore this work are directly linked with the Public-Private Partnership contract being extended by another 5 years. I shall locate this move within a broader theoretical framework of the globalisation of trade and employment. I will analyse the trade union's campaign against this offshoring, and assess how this decision may influence future union strategies.

The debate around the globalisation of employment and the movement into new markets is a continually heated and polarised one. Modernisation theorists coming from a neo-liberal position claim that investment by multi-national corporations in the developing world stimulates economic growth and brings with it employment and training opportunities (Berger, 1987). However, critics argue investment by multi-nationals is tantamount to neo-colonialism, whereby there is the exploitation of cheap 'Third World' labour for the benefit of wealthy 'First World' shareholders. Dependency theorists decree that this perpetuates inequalities as poorer nations become more and more dependent upon rich countries, as there is little active investment to allow the disadvantaged to improve their situation for themselves (Greider, 1997. Hirst and Thompson, 1999).

Part of the deal for extending the National Savings PPP contract until 2014 includes the offshoring of 250 jobs to India, which requires Ministerial approval (King, 2004). SBS claim that offshoring is necessary for organisational growth and reducing costs to the taxpayer (cited in Kearney, 2004). This will involve the offshoring of 250 routine clerical/ data-input jobs to India, including 50 jobs at

DNS&I, but existing National Savings staff will be retrained and moved to other areas of the business (cited in Kearney, 2004. King, 2004).

The PCS union claim that the aim of offshoring is to enable SBS to make a profit on the Public-Private Partnership deal. The union argue that SBS can save around £20, 000 per worker by hiring staff in India (cited in King, 2004), and through this move SBS are looking at saving around £50 million over the next 10 years of the contract (PCS, 2004h). Whilst 250 low-skill jobs are being transferred to India, SBS are laying off 400 periphery agency workers (PCS, 2004h), so that core ex-civil servants can be redeployed to National Savings work or Third Party Business. As stated in previous chapters, agency workers are already marginalised as they are employed on inferior terms and conditions, even though some temporary workers are hardly 'temporary' as they have been working at NS&I for up to three years (PCS, 2004h).

The PCS union set up a campaign against the proposed offshoring of work to India fearing that this could be the thin end of the wedge (PCS, 2004g); particularly with the current controversial trend of call centre work being offshored to India (Warren, 2005). Moreover, as already stated in the case of the proposed secondary TUPE to Astron, the union were given assurances by the government that the National Savings Account would not be broken up after the PPP (PCS, 2004g).

There is no benefit to the British public, the British government or the Siemens workforce from these proposals. The only people who will benefit from these changes are Siemens shareholders, mainly in the USA and Germany. It would be scandalous if the British government were to collude with a large multi-national firm to ship work overseas simply because investors want to benefit from exploiting a low-paid and badly organised workforce abroad, whilst simultaneously damaging conditions at home. To make matters worse, the company are planning to sack 400 casual staff in the UK at the same time as it sends 250 jobs abroad. (A senior union official quoted in PCS, 2004i)

Whilst offshoring is common in the private sector, the union reps and their members were particularly concerned for the precedent that this could set for the rest of the public sector (PCS, 2004g).

The union met Ruth Kelly, the Chief Secretary to the Treasury, to put their case against the offshoring of Civil Service work (PCS, 2004g). However, 'New' Labour decided to approve the deal, despite earlier pledges not to fragment the National Savings Account (PCS, 2004h). The union reps and members were disappointed that the government rubber stamped SBS's proposals to transfer work to India in the interests of profitability (PCS, 2004j). Indeed, some of the union officials interviewed felt that 'New' Labour and SBS were determined to make this Public-Private Partnership a success at all costs. Once again the government drove through this measure with very little in the way of compromise. The union were placed in a very difficult bargaining position, just as they were when the PPP was mooted, as a small number of members would effectively be taking on an increasingly intransigent employer and a government approved policy. The PCS union are now calling on the TUC to mount a campaign against future offshorings (PCS, 2004j). However, this is all a little late in the day, as the first offshoring of government work has been approved, which could lead to future transfers of public sector work around the globe. Now that this offshoring has been imposed, the vast majority of the agency workers will be disposed of, and that work will be transferred to workers in India who are traditionally on much lower terms and conditions (Greider, 1997). All of this, yet again, runs counter to SBS's claims of not being a cheap labour company. This offshoring of work to India also has potentially negative consequences for the ethos of public administration, as Civil Service work is being completed in a far away country by private sector employees, rather than on site by qualified and trained officials. Moreover, this move further transforms the organisational culture of National Savings, with the disaggregation of the account and growing job insecurity.

### **New Subcultural Formations**

There appear to be new subcultural allegiances emerging under the new SBS regime, which are formed along grade lines. Theorists, such as, Trice (1993) and Brown (1998: ch. 3) state that shop floor subcultures typically emerge from shared group experiences. Moreover, as culture is dynamic and fluid, subcultures are constantly created and re-created as they transform over time (Van Maanen and Barley, 1985). Those who are most likely to identify with SBS are managers and specialists who have been recently promoted. As the majority of shop floor workers have not

benefited from such opportunities, they are not endeared to their new SBS employers. This is reflected in SBS Staff Surveys, where those shop floor workers who completed the survey were critical of SBS. However, many were apathetic and refused to complete the survey, with Julie stating, "I don't think they [SBS] would listen to what you said anyway...they would fiddle the figures." There is clearly dissatisfaction from administrative workers to the direction of the organisation, with a tangible sense of loss, as they feel that the once safe and secure 'job for life' is now over.

### **The End of the 'Job for Life': Future Hopes and Fears**

All of the workers and union representatives interviewed at National Savings were in agreement that after the PPP the previously accepted 'job for life' was over. They all missed the relative safety and security of Civil Service employment, and feared that now this stability had gone, it would never return. They were also in agreement that whilst they were still completing the same type of work, it was now a more pressurised working environment and the organisational culture was very different as it was clear that under SBS profitability was the main goal.

However, worker opinions relating to their own future career trajectories, occupational identities and the success of this PPP project were again very much divided along grade lines. Those workers who had gained under the new SBS system of Open Vacancy Advertising, and were now managers and specialists, were the most positive in looking to progress further in the organisation. As discussed in previous section, because most of these employees were now working alongside their SBS counterparts, they identified themselves as now being SBS employees. However, other workers on the shop floor were more confused over their identities, as under the PPP they were neither civil servants nor fully-fledged private sector workers, and did not readily identify with SBS. The specialists and managers interviewed tended to believe that the PPP would be a success and that it would now be difficult to return to the old organisational culture and traditions of the Civil Service.

However, the majority of staff at DNS&I remain administrative workers who do not identify with or have any affinity to SBS. These workers did not gain from promotions under Open Vacancy Advertising and feel that their opportunities for



upward mobility are very limited, although some have moved across to Third Party Business contracts. All of the administrative workers I spoke to wanted National Savings to return to the Civil Service for job safety and security. Although most now hoped that there would be more 'voluntary' redundancy exercises, so that they could leave the organisation once and for all.

The major worry of all of the workers I interviewed at Durham National Savings, bearing in mind the difficulties that SBS have encountered with this contract, concerns the possible implications if this 'partnership' fails. Many workers felt unnecessarily pressurised by SBS managers to meet KPI targets and make cost savings, as discussed in previous chapters. A senior union official is in little doubt that the workers are the only safe part in this PPP equation.

If this contract goes down the pan, if SBS go bust, this job [at National Savings] still has to be done. And with TUPE on the statute book, whoever gets the contract, these workers will still have their jobs, under their current terms and conditions. That, by the way, is a message we've [the union] tried to hammer home to members, but that hasn't actually sunk in. The only uncertainty in this process, as far as I'm concerned, is whether SBS can survive it, not whether we can, because the job needs doing and we are the only people by law who can do it. But SBS want the workers to think they're on a knife-edge to make them work harder. So they go on about losing the contract, not meeting the targets, not delivering this, not delivering that. The truth of the matter is the staff should say, "That ain't my problem, it's yours." SBS would argue, "We will get big fines, we'll go bust." The staff should reply, "It ain't my problem, because we'll still be here doing this when you've gone." (Steve, union official, interview, 2001)

However, due to SBS continually emphasising profitability, KPI targets, bonuses, shares, etc, the workers do feel a very real responsibility to go that extra mile. Indeed, despite the assurances of the union, many spoke of their fears that they could be out of a job if SBS lose the contract. In addition, the proposed outsourcing of the DMU and the recent offshoring of work to India have exacerbated these fears of job insecurity. Moreover, the fragmentation of the National Savings Account has already started with some workers being forcibly moved over to Third Party

Business. Under the terms of the contract, SBS have to keep all three National Savings sites open until 2004 (NAO, 2003: 8), but several workers said that they were concerned that in the future the Durham office could end up being solely used for Third Party Business, with all core work being completed at the Glasgow and Blackpool sites.

However, there are contingency plans in place if the PPP contract fails, and NS&I have appointed a 'Business and Continuity Manager' to oversee a number of scenarios. National Savings could return to the public sector for a temporary or prolonged period of time (NAO, 2003: 22). So the wishes of some workers may be granted, as they could return to being civil servants. A re-tendering process could be carried out so that the organisation remains a PPP, albeit with a different private sector 'partner', and SBS must cover all legal costs involved in this process (NAO, 2003: 22). Some workers at DNS&I, and one worker who had left under via redundancy, said that they had heard on the office grapevine that SBS were planning to pull out of the PPP altogether. This is also covered under the contingency plans, and Siemens AG would face a massive fine of up to £250 million (NAO, 2003: 4 & 22), not to mention the fact that the reputation of SBS would be in tatters. However, as the PPP contract has recently been extended to 2014 as part of the deal for offshoring work to India, this scenario seems unlikely.

## **Conclusion**

This chapter has investigated resistance to imposed organisational culture change at National Savings. This resistance operates on two levels. Firstly, involving organised opposition from the trade unions and their members. Secondly, there is a noticeable undercurrent of informal resistance on the shop floor, involving cynicism and desubordination to some of SBS's initiatives, along with the pragmatic acceptance of others.

Regarding formal resistance, National Savings traditionally has a highly unionised shop floor culture. When the organisation was part of the Civil Service, industrial relations were relatively harmonious and stable under the Whitley framework. Indeed, there was reluctance on the part of National Savings management to introducing some of the Conservative government's directives, such as, Market Testing and Agency Status. The culture of the union branch at Durham

National Savings changed when the 'Broad Left' became the majority grouping, and this helped generate opposition to many of the government directives aimed at changing the organisational culture. However, national intra-union tensions muted any effective opposition to Agency Status. Yet, there were two well supported strikes against Market Testing, taken at both group and national level. Hence, both the unions and National Savings management limited the impact of the Conservative's New Public Management agenda, as all Market Tested work was retained in-house.

However, the appointment of Peter Bareau from Lloyds Bank to head the National Savings Agency was to prove to be crucial in changing the culture of the organisation. The deliberate recruitment of private sector managers is one of the central features of New Public Management (see Hood, 1991. Isaac-Henry, 1993. E. Wilson, 1993). Peter Bareau was instrumental in pressing ahead with the Public-Private Partnership of the organisation. Whilst the main Civil Service unions merged nationally to form the PCS, the merger at group level was pragmatic and strategic in launching a campaign against the PPP of National Savings. Regarding mobilisation theory (see Tilly, 1981. Kelly, 1998), the union were able to generate support for the first ever industrial action to be taken against 'New' Labour. Yet there was also pressure from below, as many of the government directives introduced at National Savings were very unpopular with rank and file union members.

Despite there being a 'partnership' between SBS management and the PCS union implicit in the Public-Private Partnership contract, the industrial relations culture has become increasingly fraught. Strike action was threatened after SBS planned to outsource the Document Management Unit, and there was ACAS intervention for the first time ever at National Savings over the individual monitoring of staff. The source of such tensions is directly related to the financial pressures on the contract and SBS's need to make a profit on this 'partnership' deal. This culminated in SBS being given the go-ahead to offshore the first ever government work to India, whilst simultaneously sacking 400 temporary employees.

There has also been informal resistance from shop floor staff to many of the changes introduced by SBS. Whilst the PPP of National Savings was unpopular from the outset, SBS management tried to win the hearts and minds of employees by emphasising the new opportunities they would create. Although some staff have been promoted, there was shop floor cynicism as SBS failed to create the new Third

Party Business they predicted and encountered technological problems with the modernisation of National Savings. This culminated in the appointment of a new senior SBS management team, and brought with it mounting pressure to achieve profitability. Dissatisfaction with the direction of the organisation can be seen in the numbers of workers willing to 'volunteer' for redundancy. There has been the pragmatic acceptance of financial bonuses offered by SBS, such as, the Siemens Share Scheme and the Employee Bonus Scheme, but workers are not subscribing to new cultural values and beliefs. Far from workers being mere objects in this process, they have been able to exert their influence as embedded cultural traditions survive. The fragmentation of the NS&I Account, with the offshoring of work to India and the forced movement of staff to insourced contract work have heightened fears and anxieties over job security. Such increasing tensions cast further doubts over the claims made by integration theorists that there is one homogenous organisational culture that is agreed by all (see Ouchi, 1981. Peters and Waterman, 1982), and that senior management can placate trade unions (see Hampden-Turner, 1990. Schein, 1991: ch. 13). Differentiation theorists, such as, Gregory (1983), Martin et al (1985) and Alvesson (2002) offer a much more realistic account of the competing interest groupings within complex multicultural organisations.

## **Chapter Seven - Conclusion**

The thesis has empirically investigated the process of organisational culture change before and after the Public-Private Partnership of National Savings and Investments. The theoretical core of the thesis is that New Public Management approaches are inextricably linked with attempts to manage, control and transform the culture of public sector organisations. In this concluding chapter, I will consider the continual efforts to change the organisational culture of National Savings and assess the impact that these directives have had on the lives of shop floor workers. I will then examine the theoretical significance of the research findings.

As has been discussed in the thesis, National Savings is a 'brownfield' site with its own long-established cultures that are steeped in the traditions of the public sector. The department has a long-serving and highly unionised workforce, who regarded themselves as having a stable and secure 'job for life'. Given this context, attempts to transform the culturally embedded norms, values, behaviours and attitudes were always going to be fraught with difficulties.

A series of Conservative government directives were introduced from the early 1980s onwards with the concerted aim of changing the culture of the Civil Service. These initiatives included a number of distinctive characteristics, involving the application of business methods and techniques to the public sector. This trend was later termed New Public Management. Yet there was not one definitive model to follow, rather NPM evolved over time. However, these were top – down government initiatives, and Siehl (1985) and also Elisabeth Wilson (1993) warn of the difficulties of imposed organisational culture change.

The introduction of the Financial Management Initiative was the first serious attempt at organisational culture change in the Civil Service, with the implementation of strict budgetary controls and performance indicators. However, as examined in chapter three, this directive had very little impact on the daily lives of workers at National Savings. Indeed, Anthony (1994) states that for culture change to be effective it must also alter the structure of an organisation.

Agency Status changed both the structure and culture of the Civil Service. The creation of semi-autonomous government Agencies, through the separation of policy from service delivery, resulted in the fragmentation of a national, unified and

centralised Civil Service. Yet, as discussed in chapter three, there was management reluctance at National Savings to this government directive, but internal divisions muted any effective trade union opposition. As demonstrated in the thesis, the decentralisation of grading structures, pay, terms and conditions led to the development of Agency-specific cultures and identities at National Savings. This endorses the arguments of Fairbrother (1994), Pyper (1995: ch. 9) and Horton (1996) that Agency Status ghettoised Civil Service departments, as they became increasingly cut adrift from one another. Whilst Agency Status had no immediate impact on working life at National Savings, it did mark the transition from a bureaucratic to a managerial service, with increasing pressure on staff to make year on year efficiency improvements.

Compulsory Competitive Tendering was introduced to National Savings with the aim of improving efficiencies and making cost savings. Cleaning, catering and security were outsourced to private sector contractors in the 1980s. However, there was disapproval from shop floor staff to CCT as terms and conditions of already marginalised workers were cut. Indeed, there were continual difficulties as both the catering and cleaning contracts went through a number of different private sector operators. Peripheral privatisation was taken a stage further at National Savings with a series of Market Tests. As discussed in chapter six, there was trade union resistance, with an Agency-wide strike and a national Civil Service one-day strike against this Conservative government policy. In all, there were 13 Market Tests at National Savings and every in-house bid was successful. However, this did create a more commercial culture as staff were under increasing pressure to be just as efficient as the private sector. Whilst these changes involving commercialisation and peripheral privatisation were evolutionary in nature, shop floor workers were concerned and uncertain about the future.

The most profound transformations at National Savings took place after the Public-Private Partnership of the organisation. The new Agency Chief Executive, Peter Bareau, was instrumental in spearheading radical organisational change. This endorses the claims of Isaac-Henry (1993) that senior managers were deliberately recruited from the private sector to transform the culture of public sector organisations. The Public-Private Partnership policy is a further development of the New Public Management agenda, with increasing private sector involvement in the delivery of public services. Originally a Conservative policy, the PPP was

reformulated under 'New' Labour as long-term deals are tied to strict performance targets based on a renewed emphasis of 'partnership' between the public and private sectors (Ruane, 2002). Hence, the two sectors supposedly complement each other, as the effectiveness and efficiencies of business work together with the customer service of the public sector. The reasons for the PPP of National Savings were that due to a lack of government investment under the Conservatives, the organisation lacked the new technology and e-commerce channels that all other modern financial organisations already possessed. Due to the huge costs involved in this exercise, under the PPP programme the finance, expertise and innovation of a private 'partner' could be used to deliver modernisation.

Under the Public-Private Partnership the entire operational staff had their employment transferred over to SBS, a private sector company who had to prioritise making a profit on this 'partnership' deal. As discussed in chapter four, there was a 'Honeymoon Period' at the start of the contract, and SBS did begin to transfer products over onto a new IT platform. They also modernised operations by introducing internet and telephone banking services, together with creating a customer profile system. Thus, customers now have greater choice, and product enquiries can be dealt with flexibly at all National Savings offices. SBS have reduced staffing levels through 'voluntary' redundancy exercises, and they have also been able to transfer surplus staff to newly acquired Third Party Business contracts. Previously there had been little movement in the internal labour market at National Savings for around a decade, SBS have since restructured the organisation and created a number of promotion opportunities. Productivity has improved under SBS, as 50 million transactions continue to be dealt with each year, and they are now processed by 2, 000 staff, as opposed to the 4, 100 employed at the start of the contract. SBS have also rewarded staff with an Employee Bonus Scheme, and attempted to gain their loyalty through the Siemens Share Scheme. However, SBS soon ran into major difficulties and complications in their attempts to transform the organisational culture of National Savings.

As demonstrated in the thesis, shop floor workers were opposed to the PPP of National Savings from the outset as they saw it as a threat to job security. Indeed, there was a long-running campaign of opposition to the PPP, which resulted in the first ever industrial action to be taken against Tony Blair's 'New' Labour government. Yet SBS attempted to allay staff fears by emphasising the new

opportunities they would create through modernisation. However, a fundamental error on the part of SBS was that they underestimated the scale of business transformation at National Savings. SBS scrapped the old 'Legacy' computer system and brought in 'Tahler', a commercially available off-the-shelf IT package designed in Belgium. However, 'Tahler' had to be adapted to meet the needs of National Savings, and SBS were plagued with technical difficulties when they began the migration of products onto this new IT platform. SBS did not appreciate the complexity of National Savings products and processes, as the organisation has over 30 million customer accounts. This resulted in SBS incurring fines of £2.1 million during the first 3 years of the contract, due to Key Performance Indicator penalties and for failing to meet full business transformation by December 2000. Together with escalating costs, SBS faced making significant a loss on this 'partnership' contract, rather than a profit. This resulted in direct intervention from Siemens AG, the parent company, with the instatement of a new SBS senior management team to run the National Savings Account. This marked an abrupt end to the 'Honeymoon Period', and the start of radical changes as SBS attempted to turn the contract around.

'Voluntary' redundancy exercises began before the PPP of National Savings, primarily due to computerisation. Whilst there was no shortage of workers willing to 'volunteer' for redundancy, SBS have since stretched staffing levels in an effort to reduce the wage bill. These transitions endorse the arguments of Turnbull and Wass (2000) and Worrall et al (2000) relating to 'survivor syndrome', in that those who remain are placed under increasing pressures and uncertainties. Several integration theorists (see Peters and Waterman, 1982. Schein, 1991. Kotter and Heskett, 1992) advise releasing staff who are unwilling to embrace organisational culture change. SBS have appointed their own managers to run operations and drafted in temporary staff, thereby creating a multi-tier workforce. However, rather than making best use of existing staff, their wealth of experience and tacit knowledge, SBS have offered redundancy in an attempt to culturally cleanse the workplace of Civil Service traditions.

One of the advantages of the Public-Private Partnership of National Savings was that SBS would be able to redeploy surplus staff to new Third Party Business contract work, as a realistic alternative to redundancy. Despite raising the expectations of staff, SBS were only able to create just over half of the Third Party Business they had originally planned. This resulted in further redundancy exercises



to reduce the headcount on the NS&I Account, with other staff being compelled to move to new insourced contract work. Most of the Third Party Business contracts that SBS have acquired are for other Civil Service departments, which is redefining the boundaries of the service. In a further effort to reduce staffing levels, SBS have outsourced accountancy work. The company also proposed the outsourcing of 400 jobs in the Document Management Unit, but strike action was threatened and the in-house bid was successful. SBS have recently been given the go-ahead by 'New' Labour to offshore 250 government jobs to India, whilst simultaneously terminating the contracts of 400 temporary workers. This is significant as it is the first ever government work to be offshored, resulting in the fragmentation of the NS&I Account.

Whilst SBS did generate a number of promotions, these soon ceased once a new cohort of managers were in place. The transition to a new promotion culture did create friction, with the layering of management grades. SBS did introduce the Employee Bonus Scheme, but this was divisive as it did not equally reward all staff. In an attempt to mould company loyalty SBS launched the Siemens Share Scheme, but most staff interviewed regarded this as a detached financial bonus.

There have been major changes in the organisational culture at National Savings, particularly after the Public-Private Partnership. This has resulted in an intensification of work, especially for those on the shop floor who have little job autonomy and control. All of the workers interviewed felt that the 'job for life' was now over, as they faced an increasingly uncertain future.

Regarding the contribution of this research to theoretical understandings of organisational culture change, integrationist accounts of senior managers being able to control and transform the culture of their organisation for the mutual benefit of all members (see Ouchi, 1981. Peters and Waterman, 1982) are overly simplistic. Similarly, the claims of Schein (1991: ch. 15) that leaders can perceive the weaknesses in the culture of their organisations, unfreeze and alter core values, then subsequently refreeze the culture, are both impractical and unrealistic. Rather than being solely owned by senior managers, culture is the emergent property of all organisational members, it is fluid and transient, with its own embedded histories and traditions.

Whilst the commercialisation and introduction of elements of privatisation at National Savings was gradual and evolutionary, the Public-Private Partnership was a

major transition. All of the operational staff were now employed by a private company, with very different goals, objectives and responsibilities to the Civil Service. However, there was a long-running campaign of opposition from the trade union and its members to the PPP of National Savings; and Siehl (1985) and Elisabeth Wilson (1993) warn of the difficulties of imposed culture change. It appears that SBS did not appreciate the embedded nature of cultural practices, norms and values prior to embarking on their programme of organisational culture change. Several theorists (see Frost et al, 1985. Nord, 1985. Anthony, 1994: ch. 3. Roberts, 1997. Alvesson, 2002: ch. 8) emphasise that cultural traditions can restrict change, as the past clearly has an impact on the present and future cultural directions of the organisation.

SBS underestimated the scale of the modernisation of National Savings. In an attempt to transform the organisational culture, SBS released vastly experienced ex-civil servants rather than making best use of their tacit knowledge and skills. Moreover, SBS drafted in managers who had no experience of running an organisation like National Savings. The tensions and contradictions of a private sector 'partner' attempting to make a profit out of a non-profit public sector financial organisation have been highlighted throughout the thesis, particularly over the issue of customer service. These issues cast further doubts over the viability of 'partnership' programmes between the public and private sectors.

Integration theorists do not adequately account for resistance to organisational culture change. Whilst Hampden-Turner (1990) and Schein (1991) call for senior managers to pacify trade unions, they fail to address the contradictions that are inherent in the capitalist employment relationship. Indeed, there has been more industrial conflict at National Savings since the PPP than ever before, despite there being a 'partnership' between SBS and the PCS union implicit in the contract.

Despite the claims of integration theorists that managers have the power to transform the culture of an organisation in order that staff will internalise new core values, there has been informal resistance at National Savings. Workers have not been mere objects in this process who simply subscribe to managerially defined norms, values and beliefs. Indeed, workers have been able to limit some of the potentially damaging initiatives proposed by SBS, as the embedded public service traditions survive. There has been pragmatic acceptance of financial rewards, for example, the Siemens Share Scheme, but this has not resulted in workers embracing

new SBS values. Moreover, many of SBS's proposals have been deeply unpopular with shop floor staff, such as the offshoring of government work to India, and employees interviewed yearn for the return of the security and stability of the 'job for life'.

Rather than possessing one homogenous, shared and agreed culture, National Savings is clearly a multicultural organisation. This endorses the arguments of differentiation theorists that subcultures are nested and overlapping, yet also complex and dynamic (see Gregory, 1983. Brown, 1998: ch. 3. Alvesson, 2002: ch. 7). Hence, subcultural allegiances vary, and workers are often members of more than one subcultural grouping at any one time, most notably the trade union.

This thesis has demonstrated the complexities of organisational culture change at National Savings and Investments, in the context of New Public Management. The difficulties of changing the culture of an established 'brownfield' site with a long-serving workforce have been highlighted throughout. There has been both formal and informal resistance to many of the initiatives that were imposed at National Savings; reiterating the arguments of Siehl (1985) and Elisabeth Wilson (1993) that enforced cultural change is fraught with complications. The PPP signalled major cultural transformations at National Savings, but the change programme SBS embarked upon did not go according to plan. This endorses the arguments of Elsmore (2001) and Alvesson (2002) that the culture of an organisation is difficult to control, manage and change, as culture is fluid, dynamic and multilayered. Whilst senior managers do have an influence on the culture of an organisation, the findings of the thesis echo the claims of Alvesson (2002: ch. 7) that the role of management is over-stated. Hence, culture is the emergent property of all members of an organisation. Therefore, organisational culture change is a contested, complex and protracted process.

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